

# FAR EASTERN ECONOMIC REVIEW

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## THE LEGEND OF THE LEAK

by  
ARGOS

It is perhaps unfortunate that Hong Kong, having had an exchange control since the war which was different both from the rigid controls of the Sterling Area and the free for all gold dollar countries, should have been misunderstood in both worlds. The misunderstanding which has arisen in London has been fanned by the experts who fain would explain to the unknowledgeable the intricacies of Hong Kong's exchange control, showing where it falls short of the stringent C.D.3 procedure which is the basis of the Sterling Area exchange practice, and, in pointing out that Hong Kong's control was not so stringent, were able to deduce that Hong Kong was the "bolt-hole" through which precious dollars could be acquired and squandered for all who cared to come.

Perhaps Hong Kong itself has been partly to blame because it never thought to explain the virtues and shortcomings of its controls, and indeed advertised itself as a "free port," which, to the outside world, appears to have meant "free for all" in the financial and commercial circles with the Colony raking in fabulous profits at the expense of all and sundry, particularly at the expense of the Sterling Area.

The argument of the theorists ran something like this. If you had £1000 in London and you bought H.K.\$ with it, and then with your Hongkong dollars you bought U.S.\$ at open market rates in Hong Kong, you could have utilisable U.S.\$ balances which you might not have been able to get on application to the London Exchange Control. Then with your U.S. dollar balances you could buy American luxury goods, bring them back into Hong Kong, and sell them in the sellers' market in the Far East or pay your debts in U.S.A. True, you might only get U.S. \$2650 for your £1000 whereas, if you had been able to go through official channels you would have got nearer U.S. \$4000 for your money, but if you wanted U.S. \$s for your Sterling and you were prepared to pay a sufficiently high price for them, they were there for the asking.

Alternatively, the theory pre-supposed that you could purchase rubber in Malaya or wool in Australia and ship it to Hong Kong paying for it in H.K.\$s. Then you shipped it on to U.S.A. where you received U.S.\$s in payment. These U.S.\$s you sold in the Hong Kong open market because you received Hong Kong \$5.50 or so for your U.S., whereas had you surrendered it to the Exchange Control, you would only have got in the neighbourhood of H.K. \$4.

As a result of this pernicious practice, you could, by playing the open U.S.\$ market in Hong Kong, make a handsome profit on the exchange, or alternatively, undercut in the U.S. market the poor unfortunate who shipped his rubber from Singapore direct to U.S.A., and who had to surrender the U.S. \$ proceeds of his sales to the Exchange Controller in Malaya.

There were other ramifications, but the two mentioned above formed the basis of the main criticisms against Hong Kong. If the reasoning were correct, and there were few observers who thought that it was not, then Hong Kong must be an unjustifiable leak in the Sterling Area. The background for the leak was all there. Assuming an inactive Government in Hong Kong or one which was only dimly aware of the movement of capital and goods through its waters and what this involved, it was money for jam with the Sterling Area footing the bill every time. And so the story grew until Hong Kong became an enormous gap in the Sterling Area defences through which poured the products of the Sterling Area to swell the volume of U.S.\$s on the open market, while the Sterling Area itself struggled to redress its adverse balance of payment with the Western Hemisphere.

Meanwhile Hong Kong was prosperous, its trade figures showed large imports from America, its shops were well filled and the Colony wallowed in the lap of luxury as it battened on the misfortunes of the Sterling Area. (The same story is repeated at intervals by our brethren in Shanghai with the variation that Hong Kong's pros-

perity has been built on the misfortunes of China.)

No one, apparently, thought to examine the premises on which the legend was based and even the London Economist climbed on to the Anti-Hong Kong band wagon to assert in a recent issue: "The kind of operation which the (British) Authorities have had specially in mind is the re-export through Hong Kong of commodities from other parts of the sterling area which would in any case have gone to a hard currency destination. Because of this diversion of trade the sterling area pool, instead of receiving 100 per cent of the hard currency proceeds, has received only 25 per cent of them, leaving the rest to feed the free market in Hong Kong and those who thrive on it."

The unbiased observer however, would have noted that throughout these denunciations no specific examples of capital or goods filtering through Hong Kong from the Sterling Area into hard currency countries were ever produced. Nor somewhat remarkably, was any mention made that such a leak existed. In point of fact, one competent American Treasury official told the writer that the leak from the Sterling Area through Hong Kong was negligible and that Hong Kong had in recent months been a net contributor to the Sterling area's dollar Pool. Indeed Hong Kong business-men must have been left wondering how it was that with such easy money to be made through exchange transactions they had not been able to take their cut.

The truth is of course that the leak was not nearly so obvious at this end as it appeared to be to imaginations running riot in London. Capital and resources did not, and do not, leak through Hong Kong because it is unprofitable for them to do so. Capital did not pass through because the route via Hong Kong to the dollar area was often the most expensive path it could take. With the Sterling/U.S.\$ crossrate in Hong Kong varying from \$2.65 to \$2.90, no one was going to remit sterling to U.S.A. via Hong Kong if he could possibly remit through one of the other free markets of the world where the cross-rate varied from \$3 to \$3.50. It is perfectly true that a lot of capital did go through Hong Kong to U.S.A. It was Chinese flight capital

which would have been wiser to linger in sterling but which, in its panic, went the whole hog right through into gold or U.S.\$s at open market rates and thereby devalued itself to the maximum extent possible.

As regards commodities, however, the story was a little different. What never appears to have been known, or if known, fully understood in London, is that you can no more send sterling area goods through Hong Kong and keep the U.S.\$ proceeds than you can send them from Southampton and not surrender the exchange proceeds to the sterling dollar pool.

That there is a free market in U.S.\$ in Hong Kong is perfectly true, that it has been possible to send non-sterling area products to U.S.A. without having to surrender the U.S. dollar proceeds to the local exchange controller is also true—such goods would not have gone on any other terms. But the secret of the Hong Kong control lay in the words of a small and apparently unimportant paragraph of the export licensing regulations:—"Such licence shall be subject to such terms and conditions as the Superintendent of Imports and Exports shall think fit." This innocuous little phrase enabled Hong Kong to exercise all the control it required over "leaks" of commodities from the Sterling Area. When you applied for an export licence for goods going to gold dollar areas, the Export Licensing Authority would want to know the origin of the goods. And when that origin was declared he might want your statement to be supported by consular invoices, certificates of origin and the like.

Moreover, Hong Kong was well placed to play the role of policeman on the perimeter of the Sterling Area. If rubber had been smuggled out of Malaya to Siam and was then shipped from Siam through Hong Kong, the shipper could not glibly claim that the rubber was produced in Siam—he had to prove it, and his shipment was held up in Hong Kong until such proof of origin was forthcoming, and the fact that the goods were on through Bills of Lading made no difference. So the control of Sterling Area goods to the dollar areas was rigid and effective. No doubt travellers can find English biscuits in Manila, and these may have leaked through Hong Kong—equally well of course they may have been mis-manifested at some other sterling area port.

In short, the free market in U.S.\$ in Hong Kong owes nothing to products of the Sterling Area and little to commodities of any kind. The free market dollars come in the main from remittances sent from U.S.A. to all parts of the Far East, and since Hong Kong is the greatest banking centre in Asia, such remittances naturally gravitate to Hong Kong. And why do the authorities not grab these for the Sterling Area pool? Because a remittance is like a butterfly; it doesn't have to fly near to your hand and when it does, it is usually a little quicker in flitting off to another place than you are in catching it.

## THE TRADE BETWEEN HONGKONG AND JAPAN

The high hopes entertained here earlier this year for intensive promotion of our Japan trade were only partially fulfilled as the trade figures for the first half year of 1948 reveal. Although private traders have been most energetic in the active development of business with Japan the continued low level of our exports to Japan has precluded a stronger expansion than was witnessed during January to June. Only by earning substantial amounts from shipping, insurance, banking and other services in our trade with Japan have the imports from Japan been kept on a relatively high level.

The financial basis for the Hongkong-Japan trade remains the Hongkong Govt./SCAP two way account, computed in US dollars, and Hongkong's credit balance determines the amount of Japanese exports permitted into the Colony. The control here is in the hands of the Govt. Dept. of Supplies, Trade & Industry whose policy so far has been to keep a generous credit balance in Tokyo and to suspend or curtail import licences as soon as the balance in favour of Hongkong is dropping under the "safety" level.

The funds accumulating in Hongkong's two way account in Tokyo derive from direct exports from here to Japan, invisible exports (services), occasional exports from other countries but proceeds credited to Hongkong account.

As far as trade with Japan is concerned Hongkong is not treated as a member of the sterling area and therefore all imports and exports are computed in US\$ and imports from highly industrialised Japan are possible only if Hongkong is able to build up sufficient credit balances. Even the latest trade restrictions imposed on Hongkong as from August 3, leave our commerce with Japan untouched and on the same non-sterling basis as before.

Under the present conditions of payment difficulties particularly arising from the scarcity of US dollars, Hongkong's imports from Japan have shown good progress while exports to Japan have been greatly accelerated during recent months. The remarkable increase in our export shipments to Japan has favourably impressed the community who has come to realise that only by a forceful expansion of such exports can the import business be developed.

### Trade Figures for the Years 1936, 1937, 1947 and first half year, 1948:

	Imports into Hongkong	Exports to Japan
	(in million HK\$)	
year 1936 .....	58.0	17.9
year 1937 .....	58.0	19.8
year 1947 .....	70.0	19.5
Jan./June 1948 ...	42.5	17.1

Hongkong imports from and exports to Japan for the first half year, 1948

Month	Imports	Exports
January ....	\$12,512,216	\$ 2,298,618
February ....	6,229,540	481,040
March .....	2,798,848	1,091,696
April .....	5,703,909	504,252
May .....	4,543,036	4,576,005
June .....	10,776,647	8,154,312
	<b>\$42,564,196</b>	<b>\$17,105,923</b>

In this year's trade of Hongkong the business with Japan accounted for:—  
4.34 per cent. of total imports; against 9.4% in prewar years—  
2.45 per cent. of total exports; against 4.2% in prewar years.

This year's unfavourable balance of trade with Japan amounts to \$25.4 million which has been covered by earnings from services and other invisible exports as well as some direct shipments from country of origin to Japan on Hongkong account. Thus an adequate favourable balance of Hongkong has always been maintained on the Hongkong/SCAP two way account in Tokyo.

Monthly imports are valued, on the average, at US\$ 1 3/4 million (i.e. at the official rate of exchange) while direct exports are running at US\$ 700,000 per average month.

Comparisons with pre-war trade figures create often a wrong picture in view of the depreciation of the local dollar, as far as its purchasing power of commodities is concerned, or conversely, the much increased cost of goods in terms of the local dollar; pre-war values have therefore to be adjusted to 1948 levels which may be based on the estimated increase of the wholesale commodity price index (about 200% over prewar). When such adjustment is made the figures are as follows:—

### Pre-war average trade between Hongkong and Japan:

(in millions of HK\$).—  
12 months: 174, imports; 56.5, exports.  
6 months: 87, " 28 1/4, "  
1948, 6m.: 42.5, 17.1

Hongkong's trade returns for the first six months of 1948 are greatly inferior to the adjusted pre-war trade figures; we have been importing in 1948 only 49% of what we used to do before the war; and we have been exporting to Japan only 61% of what we used to ship before the war.

### Profitable Business

Profits in the Japan trade mostly in import business have been, on the average, higher than in other commercial transactions and therefore an increasing number of merchants are desirous of obtaining, from the local control (Dept. S. T. & I.), allocations of funds in Tokyo.

The Dept. is sharing out every month from US\$ 500,000 to 700,000 (from the credit balance in Tokyo)

among recognised importers; while last year some 60 importing firms were on the S.T. & I. list the number has slightly increased this year with a total of 70 companies now obtaining allocations of funds for payment of imports from Japan. About half of these import houses maintain agents or representatives in Japan and among these firms are quite a few post-war trading establishments; the other about 35 companies are recognised as pre-war Japan traders.

There is, of course, much competition among importers as the grant of an allocation usually means a more than adequate profit. Consequently there have been heard many voices of disgruntled traders who claim that while they only secure a token sum or often no allocation at all, other importing firms, some of which were only established after the war, are regularly favoured with substantial amounts.

As the exporters of commodities to Japan are allowed to retain their credits in Tokyo for direct imports an unofficial market has developed here since many months; in this market prospective importers can purchase, at a premium, the exporters' credits in Tokyo (which of course are held in the Hongkong/SCAP two way account) and thus the local Japan control of S.T. & I. is obviated. The purchase of the funds in Tokyo does not permit the importer to order Japanese exports under his name; they have to be shipped here to the owner of the Hongkong export proceeds.

The current premium for funds in Tokyo (that is US\$) moves around 10% which is sufficiently attractive to local exporters and at the same time does not cut the profit margin of most importers too drastically. This market premium for funds in Tokyo has stimulated more shipments to Japan; in other words, importers (who do not obtain an allocation or too small an allocation from S.T. & I.) are paying exporters' additional profits or, in some cases, enable exporters to ship at cost or even below cost, as they secure a profit from the exchange premium.

As regards the banks and their commissions they are not affected by the trading in exporters' bills and the payment of premium to the shippers by the importers. All commercial transactions with Japan are subject to licences which are issued or refused to be issued by the Dept. S.T. & I. The principal condition for the issue of an export licence is that the exporter sells his proceeds to the Government through a bank and invoices his goods in US\$ which are purchased at HK\$ 3.95. An import licence is issued only if the importer either is also the exporter or purchases from Govt. account in Tokyo US\$ at the rate of HK\$ 4.02. The difference between the buying and selling rates is, for official exchange transactions, unusually large, viz. 1 1/4 per cent.

The banks charge uniformly 1% commission and an additional 1/4% in the case of imports for passing authority to Tokyo.

It is possible for importers, if they cannot obtain an official allocation from S.T. & I. nor find a seller of funds in the Hongkong/SCAP account in Tokyo, to cover their requirements at the free US\$ market provided that the goods which they intend to order from Japan can stand the heavy premium which US\$ commands on the free exchange markets (currently about 30%). In most cases such business has proved impossible.

#### Japanese Imports and Exports

Hongkong Govt. is still conducting a number of imports directly (e.g. coal, cotton yarn) but, since last August 15, private traders are negotiating the majority of imports and exports.

The Hongkong Govt. Agent in Japan is Mr. D. M. Kenrick who took over from the first official Agent (Mr. J. Galvin) the office which had been established in June 1947.

#### Imports from Japan into Hongkong for the first half year, 1948

Yarns & thread ..	\$15,147,126	35.6%
Textile fabrics & small wares ..	9,639,586	22.65%
Coal .....	3,775,625	8.87%
Chemical elements, pharmaceutical products .....	2,767,300	6.5%
Vegetables, roots .....	2,032,098	4.78%
Fishery products .....	1,325,604	3.11%
Pottery & clay products .....	1,320,442	3.1%
Non-metallic minerals .....	1,154,357	2.7%
Textile materials, raw or simply prepared .....	1,042,694	2.45%
Glass & glassware .....	787,155	2.06%
Rubber manufactures .....	681,949	1.6%
Manufactured articles .....	634,648	1.5%
Manufactures of base metal .....	613,810	1.44%
Pulp and paper .....	548,708	1.29%

The above 14 commodity groups accounted together for 97.65 per cent. of total imports from Japan.

The remaining import articles for the period January to June 1948 were:—

Dyeing, tanning, colouring substance .....	\$ 178,031	
Coffee, tea, cocoa; spices .....	104,767	
Beverages, vinegar .....	99,400	
Footwear, shoes, slippers .....	89,664	
Clothing, underwear, hats .....	79,320	
Fruits .....	39,574	
Electrical machinery, apparatus .....	32,880	
Wood, cork, manufactures .....	14,420	
Vehicles and transport equipment .....	11,981	
Essential oils, cosmetics, soap .....	5,080	
Machinery, apparatus (non-electrical) .....	4,285	
Non-ferrous base metals .....	4,052	
Miscellaneous crude products .....	3,500	
Iron & steel .....	1,869	
Clothing articles, leather .....	1,545	
Made-up textile articles .....	1,358	

#### Exports from Hongkong to Japan for the first half year, 1948

Oil-seeds, nuts and kernels .....	\$ 6,500,000	38%
Raw textile materials .....	3,160,780	18.48%
Vegetables, roots .....	2,855,201	16.7%
Miscellaneous crude products .....	1,155,808	6.76%
Dyeing, tanning substances .....	804,957	4.7%
Non-metallic minerals .....	637,299	3.72%
Chemicals & pharmaceuticals .....	480,905	2.81%
Vehicles, transport equipment .....	453,108	2.65%
Manufactured articles .....	361,433	2.11%
Beverages & vinegar .....	199,041	1.17%

The above ten commodity groups accounted together for 97.1 per cent. of Hongkong's exports to Japan for the period January to June 1948.

The remaining export articles were:—

Textile fabrics and small wares .....	\$ 85,459	
Animal & vegetable oils .....	69,412	
Wood, cork and manufactures .....	60,435	
Machinery and apparatus .....	47,158	
Electrical machinery .....	16,997	
Base metal manufactures .....	23,989	
Paper and pulp .....	12,580	
Tobacco .....	4,448	
Dairy products .....	2,696	
Cereals .....	2,600	
Made-up textile articles .....	9,496	
Clothing, underwear, hats .....	3,282	
Mineral oils .....	3,389	
Precious metals, pearls .....	1,728	
Glass, glassware .....	1,000	
Rubber, rubber manufactures .....	1,738	
Meat and meat products .....	461	
Fruits .....	215	
Coffee, tea, cocoa; spices .....	142	
Essential oils, cosmetics .....	617	
Iron and steel .....	497	
Fishery products .....	67	

#### THE ECONOMIST FROM LONDON TO HONGKONG BY AIR

The Economist, quoted the world over, will shortly be available to subscribers in Hong Kong delivered by Air Express. On existing airlines schedules, copies are landed in Hong Kong nine days after publication in London, and will then immediately be delivered to subscribers by the distributing agents, the Advertising & Publicity Bureau Ltd. The annual subscription for the Economist by this air express delivery service is \$93, and subscriptions can be sent to the Distributing Agents, 511, Marina House.

## CHINA'S TRADE WITH HONGKONG

### COMPARATIVE FIGURES FOR THE MONTH OF MAY AND THE FIRST FIVE MONTHS OF 1948

According to the compilations of the Chinese Maritime Customs the trade of China for May and the first five months of 1948 aggregated the following amounts:—

(in thousands of HK\$)		
	May	Jan./May
Chinese exports	32,468	143,654
Chinese imports	28,134	86,928
Total	60,602	230,582

Trade Balance in favour of China	4,334	56,726
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According to the trade returns of Hongkong Govt. the trade with China for May and the first 5 month of this year aggregated the following amounts:—

(in thousands of HK\$)		
	May	Jan./May
H.K. imports from China	28,155	147,343
H.K. exports to China	23,628	88,457
Total	51,783	235,800

Unfavourable Balance for H.K.	4,527	58,886
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The above figures prove that unrecorded trading and smuggling between Hongkong and China has practically ceased. All Nanking propaganda calculated to disturb the relations between the Hongkong Authorities and the Chinese people by alleging that smuggling was either not actively combated by the Hongkong Govt. or even connived at by officials of the local Govt. has now been proved false.

As far as Chinese export smuggling is concerned it does not exist this year; the Hongkong import figure and the Chinese Customs export figure differ by \$5 million which is due to the higher valuation of Chinese goods when arriving here compared to the f.o.b. Chinese port or Customs station valuation.

As far as Chinese imports (Hongkong exports to China) are concerned, there is a difference of \$1½ million for the January/May period. In comparison with the large figures recorded for Chinese imports an amount of \$1½ m. is insignificant.

### Hongkong's Position in all-China trade

(in millions of HK\$)		
Imports into China	Exports from China	
May 1948	175.6	105.1
Jan./May	650.7	431.4

Hongkong accounted for 13.36% or \$86.9 million of China's imports for the first five months of 1948; and Hongkong accounted for 33.3% or \$143.6 m. of China's exports during Jan./May 1948.

### China's Exports to Hongkong in May

Total for May	\$ 32,468,000
Jan./April	\$ 111,186,000
Jan./May	\$ 143,654,000

May exports were shipped to Hongkong via the following principal Chinese ports or Customs stations (figures in brackets indicate the value of exports in thousands of HK\$):—

Tientsin (522), Shanghai (11,196), Foochow (142), Amoy (10), Taipei (218), Tainan (2,027), Swatow (482), Canton (5,316), Kowloon Customs station (12,268), Kongmoon (24), Liuchow (52), Kiungchow (41), and Pakhoi (166).

### China's Imports from Hongkong in May

Total for May, from H.K.	\$ 2,951,000
as direct source	\$ 2,951,000
Jan./April	\$ 10,229,000

Jan./May

\$ 13,180,000

More than 96% of the imports were shipped to the following Chinese ports and Customs stations (figures in brackets indicate the value of imports, in thousands of HK\$):—Tientsin (329), Shanghai (952), Foochow (138), Canton (580), Kowloon (840).

Imports during May from Hongkong and other countries into South China and Taiwan ports (in thousands of HK\$):—

Foochow \$214, Amoy \$5,425, Taipei 7,953, Tainan 2,393, Swatow 2,322, Canton 6,556, Kowloon Customs stations 7,123, Liuchow 300, Kiungchow 2, Pakhoi 47, Lungchow 9, Kunming \$1,661.

The figures for the Customs station of Lappa and the port of Kongmoon have been left out as most imports are effected from Macao; a small amount of imports should however be credited to Hongkong as a direct shipping source.

Import into China from Hongkong during May have been as follows:—(in thousands of HK\$):—

from Hongkong as a direct source	\$ 2,951
via HK into Canton	6,556
via HK to Kowloon Customs stations	7,123
via HK to Swatow	2,322
via HK to Pakhoi, Liuchow Kiungchow	388
via HK to Amoy — 50%	2,712
via HK to Taiwan — 50%	5,173
via HK to Kunming — 50%	830
via HK to Foochow — 50%	107

Total imports in May

\$ 28,134

Total imports Jan./April

\$ 58,794

Total imports Jan./May \$ 86,928

### Miscellaneous and Smaller Trading Partners of Hongkong

Imports and exports during June 1948:—

#### European countries:—

AUSTRIA: only imports of paper

\$42,656.

CZECHOSLOVAKIA: only imports mainly of pulp and paper \$189,863, base metal goods 49,034, textile fabrics and small ware 19,996, clothing 15,900, pottery and clay products 18,240, glass-ware 4,000, iron and steel 10,580, chemicals 8,320.

FINLAND: paper imports \$327,919, exports of vegetable oils \$12,096, chemical and pharmaceutical products 13,299.

GREECE: only exports of base metal goods \$3,517 and simply prepared products 2,656.

HUNGARY: only imports of skins and leather \$25,558.

POLAND: only imports of paper \$4,253.

TURKEY: only exports of skins and leather 38,026, base metal manufactures 31,507, dyeing substances 8,000 manufactured articles 13,700.

SPAIN: only imports of beverages and vinegars 10,561, yarns and thread 15,360.

U.S.S.R.: only imports of chemical and pharmaceutical products \$203,689.

#### Near East and Africa:—

EL HASA: only exports of textile fabrics \$302,854, clothing 3,630, footwear 1,980, base metal goods 2,040, manufactured articles 3,400.

IRAN: imports of gasoline, fuel oil etc. \$516,000; exports of spices 3,240, textile fabrics 18,400, pottery 3,615, miscellaneous products 7,745.

IRAQ: only exports of dyeing materials \$8,092, rubber goods 181,440, yarns and thread 82,960, Textile fabrics 186,859, clothing 52,495, and other locally manufactured goods; total value of exports \$529,526.

OMAN: only exports of textile fabrics \$209,596, and spices 7,500.

SYRIA: only exports of pottery \$1,596 and manufactured articles 3,300.

PORTUGUESE EAST AFRICA: imports of fishery products \$31,392, and exports to a total value of \$154,729, viz. spices 112,000, vegetable oils 1,996, dyeing materials 2,700, textile fabrics 17,600, clothing 9,885, base metal goods 5,131, electrical appliances 2,680.

#### Latin America:—

CUBA: only exports valued at \$80,107, mainly locally manufactured goods.

### Conversion Rates

In our last issue, pp. 93/4, the trade of China for the first five months has been reviewed and conversion rates were stated. In May one million Chinese dollars were valued, for trade conversion purposes only, at HK\$13.68. Previous conversion rates and a review of the trade between Hongkong and China for the first four months of this year were published in our issue of July 21, pp. 49/51.

## SHANGHAI TODAY

With very few exceptions the foreign community in Shanghai is anxious to leave China, and the number of foreign residents in postwar Shanghai has strongly declined. It is only the difficulty or inability to establish a new existence abroad which still keeps so many foreigners in Shanghai. The majority of Europeans living in Shanghai are stateless and externally displaced persons, either from Central Europe or from Russia.

Life in Shanghai under Chinese administration has become increasingly insecure and trying; the devastations wrought by the inflation of the legal tender have been felt even harder by the average foreigner than by the Chinese.

There is flagrant discrimination against foreigners and xenophobic sentiments are on the increase.

Prospects for better business are very remote; while at some time the civil war may come to an end and commerce might be resumed on a more normal basis, the present situation appears to most foreigners so dim and hopeless that the only advisable step appears to be emigration. . . .

In the following article, by Mr. J. Littlejohn, in the *Spectator*, of London, the present situation in Shanghai is reviewed with much sympathy and understanding—and diplomatic tact.

\* \* \* \*

Throughout the whole of the last century Shanghai never enjoyed anything but a somewhat evil reputation, but to those who lived and worked in Shanghai this bad name was not deserved, because there were many fine and generous facets to that vast city. Shanghai, in fact, never was as bad as it was painted, and the same holds good today. Admittedly inflation, insecurity and perhaps incompetence make life difficult and at times even hazardous, but the administration of the town works in its own peculiar Chinese way, and the inhabitants contrive to live with a smile on their faces. There is plenty to eat, there is water, there is light, there is transport, and if the winters are cold, nevertheless there is enough fuel to cook on. Moreover, in spite of many difficulties, the commercial community

**CENTRAL AMERICA:** imports of fishery products \$65,250, and beverages 143,000; exports of total value of \$395,690, mainly locally manufactured textile, rubber, pottery, wood, base metal goods.

**New Zealand:**—imports of vegetables \$6,266; exports for a total value of \$60,486, mainly vegetable oils 24,696, footwear 7,847, various locally manufactured goods.

**All other countries:**—imports of gasoline, kerosene, fuel oil, lubricant oil etc. (from the Persian Gulf) valued \$3,206,022, and imports of skins and leather \$6,300, iron and steel 8,900. Exports to a value of \$237,151, mainly locally manufactured goods (textile, rubber, metal ware, glassware etc.).

of Shanghai, both foreign and Chinese, has, with its usual resourcefulness, succeeded in trading, and the years 1946 and 1947 will be recorded as profitable ones in most trades. The same is true of most of China. The farmers have had good crops, and where war has not intervened they and their families have had adequate homes and sufficient food and clothing.

To anyone who knew Shanghai before the war there are now two main changes. The first is the population, which was possibly 3,000,000 before the war, and is now at least 4,500,000. The city is no bigger physically; consequently the streets are crowded, the houses cramped, utilities strained, and those who complain that the administration is not what it should be often overlook the fact that the problems facing the City Government are far greater than ever before. The boundaries of the old foreign settlements still seem to contain Shanghai and its milling hordes. Before long it will have to expand. The second feature is, of course, that the old Shanghai Municipal Council, which was largely British-run and very efficient, too, has been replaced by the Shanghai Municipal Government, presided over by a Chinese Mayor and a series of bureaux. In this Government there are a number of hard-working, intelligent and conscientious officials; but the entire lot are underpaid and overworked, with the inevitable result that in the lower ranks these qualities are often, of necessity, submerged in the struggle for existence. There is no doubt that the new Government does not operate with the precision of the old, but the bare fact is that it does operate, and not so badly as its critics would sometimes have it.

Superficially the Shanghai Municipal Government works in the way that the average foreigner would expect, that it to say, the Bureaux of Public Utilities, Works, Health, Education and Police carry out their normal functions and the Mayor directs the whole; and when it is considered that China is going through one of the most acute bouts of inflation and rising cost of living that have yet been experienced in the East, it is not surprising that the Municipal Treasury is empty—and for any administration to operate without money is impossible. Therefore the fact that the Mayor's Government is sufficiently successful to keep the city going is a matter for some satisfaction. This simple picture of the machinery of government is deceptive, for under the surface there are many conflicting currents. For instance, the Chinese Army, through the Woosung Garrison Command, exercises an unusual degree of influence. All armies tend to be laws unto themselves, and to this the Chinese Army is no exception, but it adds to the confusion by having to finance itself by unorthodox methods. The result is a clash of interest between the Garrison Command and the Mayor's Police Force.

Another unusual feature is the Shanghai City Council, a brand new

and popularly elected body of gentlemen, some hundred or more strong, whose enthusiasm in an uneasy combination of their personal interests and their public office outruns their sagacity, and frequently produces recommendations and decisions which are not always in the best interests of the city. The Central Government in Nanking also interferes in the local affairs of Shanghai, both in domestic matters such as public health and in general policy, where financial and trading restrictions are concerned. Yet another conflicting interest is the activity of the old secret societies and the party machines of the Kuomintang and the Communists; these under-currents are strong, and make the task of the Mayor, K. C. Wu, heartbreakingly difficult. Fortunately, he is a man of infinite energy and resource and a skilled administrator. Shanghai owes him a great debt for what he does.

It is interesting to consider where the foreigners, particularly the British, stand in this town, the control of which was originally theirs. The answer is that they play little or no part at all. The Mayor has a Sino-Foreign Advisory Committee which meets from time to time and serves a useful purpose as a safety-valve where foreign interests are concerned. It cannot be said, however, that it takes anything but an academic interest in what goes on. The foreigners have adapted themselves to the new conditions very quickly. They live an orderly, disciplined life, and as a whole seldom come into conflict with authority. So far the amenities of life have been available to them, and therefore they have not complained unduly. The Police Force, which at first was not successful, has improved in the last year; traffic-control and other police duties are better performed. The foreigners pay their taxes, and while there is a latent suggestion of "no taxation without representation," this cry has not been raised. It is fair to say that if a foreigner has a legitimate complaint, his case will probably be heard. This does not mean to say that his grievance will be put right, but he is no less unlikely to succeed than his Chinese fellow-citizen.

All this is true of Shanghai and of other places, too. Foreign influence in China is less than it used to be; but foreign relations are generally happier. American financial influence is, of course, considerable, but this is more on the Government level than amongst the people. In New York, London and elsewhere, as in Shanghai itself, people often ask what is going to happen in Shanghai. The outlook is not particularly bright, because the city, which found itself at the end of the war very much down at heel, has not been able to do much to rehabilitate itself. Meanwhile, Chinese trades unionism has made a big and flashy start, and since it is usually ill-disciplined and often ill-advised, the result has been that labour comes into sharp dispute with municipal authority. There is danger that if inflation goes too fast industries may collapse and labour find itself without pay or

## EXCHANGE & FINANCIAL MARKETS

### HONGKONG CLEARING HOUSE

The clearing figure for the month of July amounted to \$656,716,034, showing a decline against June of 1.68%. In view of the trade recession which has been felt more acutely during the past month the clearing figure is surprisingly high indicating a less pronounced slump in commercial activities as is commonly believed here judging from reports by traders. When comparing the July Clearing House total with the peak month of this year, March, the reduction is more impressive, viz. 15.82% (the March figure having been \$780,180,420 but the then

food; but this need not necessarily happen, for there has never been such a town as Shanghai for finding a way round every difficulty. The main threat to Shanghai is Communism. No one can tell whether it will come or not, and many believe that the National Government, either as it is or reconstituted on more liberal lines, will succeed in holding the threat at bay, particularly if American aid, food and finance are made available quickly and substantially.

Shanghai's problems are, of course, peculiar to itself, but they are part and parcel of the whole China situation. This situation is determined by the swing to the Left which has been so clearly marked throughout the whole country in the last four or five years. It is not so long ago that the Chinese Communists were tucked away in Yenan, almost unheard and unheeded. Then came their emergence into world politics, and today they are well-established and sufficiently powerful to threaten the downfall of the Generalissimo and his party. Those who keep their maps of China up to date will find that large areas are now coloured red. Just as the Communists and the labour element in Shanghai are of vast importance, so they are throughout the country. It is not the purpose of this article to speculate on the future of Chinese politics, but the account of Shanghai which has just been sketched gives, in miniature, a picture of the whole situation in China. Lieutenant-General Wedemeyer, in one of his recent announcements, stated: "What China needs is good management." The story of Shanghai shows the difficulties of finding good management. If the other cities of China, and the Government itself in Nanking, had the same leadership as Shanghai has, many of them would be much better off.

China today is in agony; the vicious circle formed by civil war and inflation seems unbreakable. The war cannot be stopped without more expenditure, and the inflationary budget cannot be reduced until the war is stopped. America is making great efforts to bring help, and Russia is said to have evil designs for all Asia. Will Russia win in China or will America? The answer is that neither will, for China will just remain herself.

considerable gold import activity was to some extent responsible for the unusually high amount). On the other hand the comparison with the month of July, 1947, shows that this year's figure is 4.52% higher.

Clearing House figures for the first seven months of 1948:

	1948	1947
Jan./June	4,193,738,568	3,052,661,407
July	656,716,034	628,312,553

First 7 months	4,850,454,602	3,680,973,960

The Clearing House figure for the period Jan./July 1948 is 31.77% higher than the figure for the same period of last year.

### USS TRANSACTIONS

As local crossrates moved to higher levels, reaching at one time US\$3.09, which was caused by the lack of buying interest on the part of both merchants and gold dealers, arbitrage operations effected a reduction in the rate which has been recently out of line with foreign free exchange markets.

The ban on inward sterling remittances from the U.K. to Hongkong (in force since July 26) has, however, disabled quite a few arbitrageurs who were previously, as a matter of routine, taking off the market almost any TT New York on offer as long as an exchange profit of a few per cent. could be realised. The low sales of TT reported for the past week in the native banks' market reflects the decrease in arbitrage operations and less sterling funds being permitted to be transferred here for other than trade purposes.

Import business continues in the doldrums; dealers are gingerly placing small orders with importers and expecting price reductions by most American exporters and manufacturers. The impression is now gaining more ground that, apart from the local trade recession which strongly affects U.S. import cargo, the U.S. Govt will be compelled to control wholesale prices of most commodities in America which development should lower export quotations allround. It is therefore a probably prudent policy to hold out with new orders meanwhile selling from stock as long as the pile lasts—and unfortunately, in most cases, the accumulations are quite formidable. It is true, some godown space has been cleared during the last few weeks and remains empty as new cargo is either slowly or not at all arriving here.

Gold bullion importers were also leisurely going around their business; although the demand for gold shipments to China is on the increase and native banks have many clients who wish to lay in new stocks of the precious metal, the foreign supply position remains as tight as during the last month or longer, since ever the Berlin "crisis" has been regarded as "menacing". Gold holders abroad were wise indeed to play the reluctant

dragon and thus getting ever higher offers from bullion brokers, including those in Macao and Hongkong and all China. The periodic war scare has now been well capitalised upon and at the current high prices of about US\$ 47 f.o.b. foreign shipping port there should be available more than the China market at present can absorb. However, local exporters' agents still report that there is only little on offer abroad and that no price can be quoted for a larger shipment.

Sales in the local native banks' market last week amounted to (in thousands of US\$)—TT 915; drafts 438; notes 307.

Highest & lowest prices (in HK\$ per US\$ 100)—notes 552-527; drafts 532-514; TT 534-518 (or US\$ 18.72 to 19.30 per HK\$ 100). Crossrates from US\$ 3 to 3.09.

Demand for notes remained very sustained; Shanghai is short of this counter and has placed large buying orders with local banks but supply is limited here. Furthermore, the inter-city (Hongkong-Shanghai) speculation is utilising the present position by buying US notes here, shipping them to Shanghai, making a profit of about 10% (less transport charges) by selling in Shanghai where the US/HK notes crossrate moved between HK\$ 5.60 to 6.10.

### GOLD TRANSACTIONS

The local bulls and bears are divided and most uncertain about the trend. Prices moved within narrow limits and the turnover on all markets—spot and forward—was low. As for the proper gold business, i.e. imports from abroad and exports to China, in contradistinction to the fictitious gamble in "paper" bars, the situation has slightly improved with a better appetite reported in several Chinese gold centres. That means that "cargo" is again on the move and profits can be made from the real trade not only by clearing margins—provided one comes out at the thick end of the bargain.

There is very much pretence made about the real importance of gold trading here as if it were primarily a matter of investment and speculation while it actually is a matter of import and export. The export price of gold to China is determined by the foreign bullion markets' quotations, the various fees and commission, profits, cuts and illicit transportation charges levied on gold from the moment it is unloaded in Macao until it safely enters the holds of a goldsmith or banker in a Chinese city.

Sales in the local gold market were last week (in taels):—spot, inside the Exchange, 11,170; outside the Exchange 28,500; forward sales for delivery, 272,130, and for position clearing 438,660.

Highest & lowest prices per tael: HK\$ 333 1/4-328, crossrates moving from US\$ 51 to 52 1/4 per oz.

Canton's illicit gold market quotes approx. same prices as Hongkong.

Shanghai started last week at US\$ 50 (crossrate) went up to 54, closed around 49. In terms of CN\$ millions

**HIGHEST & LOWEST UNOFFICIAL EXCHANGE RATES FOR US\$ AND GOLD PRICES FOR THE FIRST HALF YEAR AND FOR JULY, 1948**

	July 1948			January/June 1948			(Gold per tael; per US\$ 100; in HK\$)		Year 1947	
	Highest	Lowest	Highest	Month	Lowest	Month	Highest	Lowest		
(Crossrate US\$ .....	52 1/4	48	372	Feb.	295 1/2	Jan.	405	254		
Gold .....	343	313 1/2	54 3/4	Feb.	45 1/2	Mar.	57 1/2	42		
US Notes .....	552	534	588	Mar.	485	Jan.	581	440		
US Drafts .....	544	518	598	Mar.	490	Jan.	575	454		
TT New York .....	552	521	608	Mar.	500	Jan.	595	482		
(Crossrate US\$ .....	2.90	3.07	2.62	Mar.	3.20	Jan.	2.70	3.32		

the week opened in Shanghai at 385, increased daily, reaching at the close 490; however, conditions in the black financial markets of Shanghai at the end of last week were confused with prices quoted far in excess of 490.

Arrivals of gold in Macao, where only little cargo was unloaded during the last 2-3 weeks, were reported at over 50,000 ozs. a quantity which was slightly in excess of the combined Macao-Hongkong exports to China for the week under review.

#### SILVER BUSINESS

Little change was observed last week although the firmer TT New York rate stiffened dealers' prices. Imports were reported at around 70,000 taels.

Turnover in the local market: 18,000 taels, \$9,800 worth of dollar coins, and \$100,000 worth of subsidiary coins. Average prices \$4 per tael, \$2.60 per dollar, \$1.97 per 20 cents coin.

#### SILVER EXPORTS IN JUNE

During June the Colony exported a total of 944,000 ounces of silver valued at \$3,225,000. Shipments were directed to the U.K. of 100,000 ozs. valued \$330,000 (in coins); to the U.S.A. 344,000 ozs. (in ingots) valued \$1,200,000; and to India 300,000 ozs. (in coins) valued \$1,025,000 and 200,000 ozs. (in ingots) valued \$670,000.

No imports were recorded.

#### BANK NOTE MARKETS

Piastre has advanced into the lime-light of the local unofficial money market. There are more indications for a better rate in the near future and the a la hausse speculation appears to be in good mood. Forward rates were above spot notes, an unusual occurrence.

#### TURNOVER IN THE LOCAL UNOFFICIAL AND US DOLLAR MARKETS

##### (1) Gold

During the month of July (five trading weeks from June 28 to July 31) total sales in the unofficial gold market, inside the Chinese Gold & Silver Exchange Society, amounted to:— (in taels of 37.7994 grammes):—

	July 1948	year 1948	Monthly average for first half	July 1948	year 1948	Monthly average for first half
			spot, inside Exchange			," margin
spot, inside Exchange	86,550		," outside "	157,940		
spot, total	244,490	180,500	TT New York		6,258	4,562
forward, delivery	2,084,840	1,055,000	Drafts		2,205	1,837
," margin	3,176,900	1,969,000	Notes		1,332	849
			Total		9,795	7,248

Spot notes sold up to \$12 1/2 per 100 piastres while the Ideo (red and black) notes were neglected at \$7 to 8 1/2. Turnover last week (in millions of piastres):—spot, inside Exchange, 5.87; outside 5.56; forward 7.55.

The HK\$ in Macao which recently went down to 0.78 patacas on the free market (some occasional sales by smart exchange shops at 0.72 were also reported by unwary Hongkong travellers) has steadied and closed last week slightly under 0.79. US notes in Macao moved between 4.26 to 4.30 patacas, but little business is carried on in this counter. With the arrival of more experienced exchange operators the bank note markets in Macao could well be enlivened. The discount of HK\$ in terms of Macao money corresponds approx. to the discount of sterling in terms of Portuguese escudos.

Nica guilders dropped and the tendency is weak. Little interest was shown in baht notes.

Pound notes remained stable in spite of a somewhat lower price in New York. The Olympiad now held in London must have caused a heavy strain on the free pound note markets as many travellers and sportsmen are believed to have arrived in England with a good supply of cheaply purchased Bank of England notes.

\* \* \* \*

#### CHINESE MONEY MARKETS

The state of confusion prevailing in Shanghai is accentuated by the recurrent rumours and citywide scares which make life even more insecure than it is in reality. The high-handed methods by the various authorities in charge of control of economic activi-

#### HONGKONG UNOFFICIAL EXCHANGE RATES (IN HK\$)

Gold per Tael	CN\$ (per One Spot)			Hundred Million)			US\$	(per 100)			Pound
	Forward	Sh'au	Canton	Notes	Draft	T.T.		LC\$	Guilder	Baht	
Aug. 3 331 1/2	328 1/2	106	103	86 1/2	81 1/2	75	103	546	518	520	11.9 14.3
4 330	328	113	106	100 3/4	94	76 1/2	101 1/2	547	519	522	11.9 14.3
5 333 1/4	329 1/2	116	113	108	98	73 3/4	103 1/2	548	521	524	12.1 14.3
6 332	330 1/2	113	106	104 1/2	99	66 3/4	99	549	525	527	12 14.3
7 332	329	112	108 1/2	104 1/2	100	62	100	551	530	532	12 1/4 14.3

ties in Shanghai have induced a belief that anything is possible now; when therefore last week rumours were spread about the impending confiscation of the contents of safe deposit boxes and the nationalisation of gold and foreign currencies and securities held by Chinese and foreign residents in China, the public started to take the necessary steps to protect themselves against the reported expropriation.

There is a latent feeling of general opposition to anything the Nanking authorities may now do or propose to do; they have lost much of the good will and support previously enjoyed among merchants and have degenerated to the status of a government of the rightist Kuomintang, by the rightist Kuomintang and for its immediate adherents. To state that the Nanking Govt. has become unpopular is to repeat a platitude in China of today.

The local money market transacted an unprecedentedly large volume of business and native bankers were quite bemused with the astronomical mathematics they have now to get used to. The turnover last week in TT on various Chinese cities aggregated well over CN\$ 120,000 billion (120 trillion—one trillion equalling one million million or one thousand billion).

Sales for the week Aug. 2-7 amounted to:—

	(in billions of CN\$)
TT Shanghai	63,200
TT Canton	20,400
TT Swatow	14,500
TT Hankow	12,600
Spot notes	5,600
forward notes	3,130

Highest & lowest prices (per CN\$ 100 million)—spot notes HK\$ 116-103; forward notes 108-81½; TT Shanghai 75-62; TT Canton 103-99.

The local price of TT Shanghai was about 40 to 43% lower than the spot note rate; the TT Canton price was on the average 10% lower than the spot note. There has been a scarcity in Chinese bank notes in the local market while remittances were offered to such extent that banks could often not accommodate their clients, mostly from Shanghai.

The HK note in Canton opened at CN\$ 870,000, topped 920, closed at 905,000.

In Shanghai the US\$ and HK\$ opened at CN\$ 7.7 and 1 ¼ million respectively, advancing almost every day, closing in a confused market around CN\$ 10 and 1.6 million resp.

Exchange Surrender Certificate premium advanced in terms of the black market price of US\$, reaching CN\$ 6½ to 6¾ million towards the close after having opened at 5.4 million per US\$. The Certificate premium amounted last week to 70/75% of the black rate. The quick advance gave exporters better returns for their produce shipments but it also tended to multiply cost of imported commodities and therefore cost of living. An increasing demand for imports and smaller export shipments caused the high rate of the Certificate premium.

The addition of the CN\$ 474,000—the "historic" open market rate of Central Bank of China—can now be ignored. When the so-called export-import link by way of Exchange Surrender Certificates was introduced (May 31) the falsely described "open market rate" was 34% higher than the Certificate premium (then CN\$ 355,000) but last week the "open market rate" only amounted to 7% of the premium.

Domestic remittances inside China showed again extreme differences: when remitting from Shanghai to Canton the Shanghai dollar suffered a discount of 30 to 40%; and when remitting from Canton to Shanghai the Canton dollar enjoyed a premium of 44 to 64%.

In the midst of economic chaos the Nanking plan makers were at it again and promised to save the nation—this time. New measures are to be introduced which will change the whole picture. Reams of paper are wasted on reporting on these new measures even before they have come into force as if the general public would not have grown wise to the fact that no "measures" and "plans" can improve their lot unless the civil war has come to an end and a compromise has been reached between all political movements in the country. Until that day no improvement can be hoped for.

## NEW REGULATIONS FOR STERLING SECURITIES' TRANSACTIONS

The freedom of non-residents in Britain to "switch" in sterling securities has been severely curtailed by three regulations issued by the Bank of England. The first order divides all British securities into thirteen compartments, broadly following the classification of securities in the Stock Exchange List. With one important exception, switching between these groups is now disallowed; if a non-resident sells an industrial share he must reinvest the proceeds in another industrial issue, domiciled in the same country. For some oil and mining issues this stipulation about fixed domicile may prove very restricting. The one important exception is to permit switching from any group into British Government securities (though not vice versa) and as hitherto, no gilt-edged stock with less than ten years' life may be bought; nor may non-residents exchange gilt-edged stocks already held for shorter dated stocks.

The second order requires that before a licence to switch is granted, "satisfactory evidence" must be submitted to the Bank of England to show that the security to be sold

## HONGKONG OFFICIAL EXCHANGE RATES

### AGREED MERCHANT RATES

MAXIMUM SELLING		MINIMUM BUYING	
STERLING. 1/2 15/16	delivery within 2 months with a cut of 1/32 for every further 3 months forward.	1/3 1/32 T.T. 1/3 1/16 O/D. 1/3 3/32 30d/s. 1/3 1/8 60-90d/s. 1/3 5/32 120d/s.	
—Do— (East & South Africa)		1/3 1/8 O/D if under L/Credit. 1/3 3/16 O/L with L/Credit. 1/32nd up every 30d/s.	
—Do— (West Africa & West Indies)		1/3 5/16 O/D if under L/Credit. 1/3 3/8 O/D with L/Credit. 1/32nd up every 30d/s.	
RUPEES (India)	82 ¾	83 ¾ T.T. 84 O/D. 84 ½ 7 & 30d/s. 84 ¼ 60d/s. 84 ¾ 80d/s.	
—Do— (Rangoon)	82 ¾	All buying rates 3/16th higher than India.	
—Do— (Aden)	82 ¾	84 ½ O/D if under L/Credit. 84 ¼ O/D without L/Credit. 84 ¾ 30 & 60 d/s. 53 ½ T.T. & O/D. 53 ¾ 5% 30 & 60 days	
Straits \$	52 ¾	25 ¾ T.T. 25 5/16 O/D—30d/s. 25 3/8 60—90d/s.	
U.S. \$ 24 15/16	delivery within 2 months with a cut of 1/16 for every further 3 months forward.		
CANADIAN \$			
U.S. \$ NOTES		25 ¾ (Banks to pay Insurance and Postage).	
AUSTRALIA.	1/6 ¾	1/6 ¾ T.T. 1/6 15/16 O/D.	
NEW ZEALAND.	1/6 7/16	1/6 13/16 T.T. 1/6 7/8 O/D.	

has been in the possession of a resident in the country of the present beneficial owner since May 1, 1947. The intention is clearly to prevent securities from changing hands between non-residents so that dividends hitherto payable in, say, French francs, have to be remitted in dollars; dividends and interest, being currently earned sterling, have of course to be remitted in the currency of the country of the beneficial owner. The additional burden on Britain's hard currency funds caused by this drift of beneficial ownership from soft to hard currency areas may be simply illustrated: in 1945 dividends remitted to Switzerland amounted to SF. 30-40 million but by 1947 the sum had risen to SF. 176 million, though some of the in-

crease was doubtless attributable to payments on old coupons. The third order forbids the export of sterling bearer securities of any type.

The limits of effectiveness of the second order are suggested by the third. "Satisfactory evidence" regarding the beneficial ownership of registered stocks can often be checked, but for bearer securities there is no means of checking, as earlier experience has shown. The third regulation should effectively stop any further additions to bearer shares in non-resident ownership, but evidence about the ownership of the large amounts already held abroad will have to be obtained and assessed as before. As a sequel to these orders a further regulation limits the invest-

ment of blocked sterling funds to purchases of British government or government guaranteed securities.

Activity on the London Stock Exchange by non-residents—and that means mainly Americans—will be severely curtailed. Such dealings have taken place in New York against so-called "security sterling" which was recently quoted at \$2 to the £. The rate had at one time been as high as \$.32.5 but the immediate result of the new regulation has been a fall from \$2 to about \$.185. In theory there might be 13 different rates of "security sterling"; in fact, there are at present three rates, one for gilt-edged at \$.183; one for industrials at \$.185; and one for Rhodesian shares at \$.190.

## **HONGKONG EXPORT REGULATIONS AT A GLANCE AS FROM AUGUST 3RD, 1948**

COUNTRY OF DESTINATION	COUNTRY OF ORIGIN	EXPORT LICENCE ON FORM	PERCENTAGE OF PROCEEDS TO BE SURRENDERED TO AUTHORISED BANK
U.S.A. & Possessions, Philippine Republic.	China, Macao, Hong Kong, Korea.	Form 2B (Yellow) in duplicate except for RESTRICTED exports when Form 2A (Green) in triplicate (Note 1).	NIL—except for exports on RESTRICTED list—(See Note 1).
French Indo-China	Any Country.	Form 2A (Green) in triplicate.	FULL PROCEEDS either (a) from a French Sterling account or (b) in HK\$ from an account in Hong Kong of a Bank in Indo-China.
Siam	Any Country.	Form 2A (Green) in triplicate.	FULL PROCEEDS either (a) from a Siamese Sterling Account or (b) in HK\$ from an account in Hong Kong of a Bank in Siam.
Korea, Macao	Any Country.	Form 2B (Yellow) in duplicate except for RESTRICTED exports when form 2A (Green) in triplicate (Note 1).	NIL—except RESTRICTED exports (Note 1) which must be submitted on form 2A (Green), to Exchange Controller, for prior approval.
China, Formosa, & Sterling Area countries.	Any Country.	NIL—except China exports (Note 2) when Form 2B (Yellow) in duplicate.	— — — —
All other countries.	Any Country.	Form 2A (Green) in triplicate.	FULL PROCEEDS in accordance with Bank of England procedure. This is always acceptable in sterling from an account in the U.K. in the name of a resident in a territory to which the goods are being exported. For other acceptable methods of payment enquire Exchange Controller (Phone 24840). Rules for restricted exports apply in cases where finance is arranged in U.S.

Japan Special arrangement with Dept. Supplies, Trade & Industry

NOTE 1—RESTRICTED EXPORTS:—Tin, Silver, and Wood oil, ginger in casks or jars. Exporters are permitted to use 75% of their f.o.b. value of the goods, other than ginger, when the shipment is financed in United States currency. As regards Ginger, 50% of the export proceeds can be retained by local exporters.

NOTE 2—CHINA EXPORTS:—Bristles, wood oil, cotton yarn, tea, rapeseed oil, tin, wolfram & antimony. China exports include these commodities whether originating in China or not. Applications must be supported by evidence of origin, i.e. a Chinese Certificate of Origin where articles are produced in China, otherwise such evidence of origin as Imports & Exports Dept. shall require.

In case of difficulty phone:—Mr. W. Flanagan—Tel: 39301; or Mr. P.C.K. Tsui (China exports)—Tel: 24048.

Issued by the Imports & Exports Department, Hong Kong

Cables: ENTREPOT, HONG KONG

## HONGKONG STOCK AND SHARE MARKET

The market opened somewhat depressed due to the Quartering Authority's announcement of control rates for rooms in all Hotels & Boarding Houses. The subsequent withdrawal of the order, owing to the cuts being considered too drastic, for study by a Committee appointed for the purpose, had little effect in arresting declines which spread along the Board. Apart from Hotels, Hongkong Electrics and Dairy Farms gave way to lows for the year, namely, 42 and 47½ respectively.

At the close of the market for the period a mixed sentiment prevailed with caution dominating, while the Felix Ellis averages stood at 142.47, a new low for the year.

Observers are hesitant to predict the immediate trend as the market has shown no definite signs as yet of emerging from the bearish trend. However, a strong feeling prevails that, owing to the present price level of all dividend payers being attractive vis-a-vis yield, it needs very little favourable news to bring about a reversal of trend.

Indicative of the improved feeling abroad is the steady recovery of Hongkong Banks in London from a low of 111½ to 119½ ex interim dividend of 2. This may have been engendered by the apparent easing of the tension over Berlin. The attempts now being made to reach a settlement of all outstanding events would tend to show that there is no reason to believe that present differences cannot be settled diplomatically. Should this viewpoint become more general it is believed it will reflect in a hardening of local share prices.

Total sales reported during the four day period, owing to the August Bank holiday, were 50,443 shares of an approximate value of \$1.6 million, an increase of \$350,000 compared with the previous week.

### Price Index

The Felix Ellis averages of twelve representative active local stocks hit a new low for the year of 142.47 at the close of trading for the week to show a net loss of .77 compared with the previous period. Day-by-day his averages were; August 3, 142.83; August 4, 142.85; August 5, 142.55; August 6, 142.47.

The High and Low for 1947 were 155.82 and 123.88 respectively. The High for 1948 was 148.68 on February 12.

### Business Done

GOVT. LOANS 4%: @ 100 Ex. Int. BANKS: H.K. BANKS @ 2000, 2010; BANK OF EAST ASIA @ 140.

INSURANCE: UNIONS @ 760, 765, 760.

DOCKS & GODOWNS: WHARFS Old @ 152; H.K. DOCKS @ 29.30, 29½, 29½, 29¾, 30; CHINA PROVIDENTS @ 22½.

## JAPANESE ECONOMIC REPORTS

### Japanese Financial Reports

#### NOTE CIRCULATION AND BANK CREDIT

The note circulation which decreased by 1,093 million yen in January showed a continued contraction of 2,729 million yen in February, the outstanding amount at the end of the month being 215,319 million yen as against 219,141 million at the end of 1947. The decline in the note issue in January may be attributed to seasonal influence, but the continued contraction in February as well as the slight upward movement of prices should be noted. The contraction of the note circulation was principally due to a small excess of government payments over receipts in January and excess receipts over payments amounting to 23,163 million yen in February.

The revenue from taxes which became favourable from the beginning of this year amounted to 32.6 billion yen in February (9,163 million in January), and the income from monopolies reached 5,100 million yen (4,507 million in January). On the other hand, advances of the Bank of Japan showed a successive increase since the beginning of this year, registering 6,447 million yen and 11,937 million yen in January and February. Deposits of city banks at the Bank of Japan and national bonds and other security holdings also showed a decline. Thus it cannot be said that factors for currency inflation have disappeared, and the future development of State finance remains uncertain.

The Currency Investigation Committee decided, on January 21, on the maximum limit of the note issue at the end of March 1948 at 270 billion yen, in consideration of the increase of funds for State finance of 35 billion, of industrial funds of 55 billion, and the increase of deposits of 40 billion during the fourth quarter of the fiscal year 1947.

### BOOM ON THE STOCK EXCHANGE

The stock market showed brisk activity from the end of last year due to favourable factors and scarcity of

HOTELS & LANDS: H.K. HOTELS @ 16½, 16, 16½, 16¾, 16½, 16.10, 16, 16½; LANDS @ 80; S'HAI LANDS @ 4¾, 4.60.

UTILITIES: H.K. TRAMS @ 22¾, 22½, 22¾; CHINA LIGHTS Old @ 22¾, 22½, 22¾, 22.60, 22-3/4, 22.60 and New @ 18¾, 18; H.K. ELECTRICALS @ 42¾, 43¾, 42½, 42¾, 42½, 42¾, 42½, 42¾, 42; MACAO ELECTRICALS @ 23, 23½, 23¾; TELEPHONES @ 41.

INDUSTRIALS: CEMENTS @ 42, 41¾, 42½, 42¾, 42½; DAIRY FARMS Old @ 48, 47½; WATSONS Old @ 60¾, 61, 60½ and New @ 56¾.

STORES: KWONG SANG HONG @ 180, 175; WING ON @ 120.

RUBBER TRUST @ 3.

COTTONS: EWOS @ 15½, 15¼, 15.

shares. The activity became feverish towards the end of January and the curb market was forced to suspend operations temporarily after January. Quotations of the leading 6 shares advanced over 300 yen on January 23, and banking, mining, iron and steel, machinery shares also showed a remarkable rise resulting in the greatest boom recorded since the inauguration of the Tokyo Stock Exchange. In comparison with November last year, 3 shares showed an advance of 3 times, 40 shares over 2 times, and 30 shares nearly 2 times on January 23.

The sharp advance of share prices may be attributed to (1) government policy towards capital such as the alleviation of dividend restriction, lowering of the corporation tax, enlargement of security finance etc.; (2) flow of funds to stock market as a result of strict prohibition of black market transactions; (3) demand for good shares in expectation of capital increase or increase of dividend; (4) expectation of a less severe application of the Elimination of Excessive Concentration of Economic Power Law; (5) scarcity of shares; (6) movement to turn capital into goods due to currency instability.

The government, on January 29, issued a warning in regard to excessive speculative stock market transactions. SCAP, on February 20, also warned general investors to refrain from buying shares at high prices in view of the anticipated disposition of shares through the Security Coordination and Liquidation Committee, and cautioned security brokers against unfair profits through ballooning.

*Quotations of Principal Shares and Volume of Transactions in Tokyo Market*

1947 1948 1948  
Nov. Jan. Feb.

Quotations (yen)			
Nissin Cot-	(High 181.0	387.0	650.0
ton Spinning	(Low 167.5	206.0	290.0
Dai-Nihon	(High 94.0	210	310.0
Beer Brewery	(Low 88.0	122.0	200.0
Japan Pottery	(High 275.0	260.0	420.0
	(Low 260.0	175.0	275.0

Mitsukoshi			
Department	(High 192.0	372.0	600.0
Store	(Low 178.0	237.0	400.0
Shochiku Co.	(High 138.0	203.0	270.0
	(Low 126.0	158.0	190.0

Volume of transactions (1,000 shares) 133 361 361  
(daily average)

Transactions between brokers were reopened after February 12, and mass transactions were permitted from February 16 in Tokyo. (The curb markets in other cities reopened transaction successively). The Security Coordination and Liquidation Committee announced the disposition of 800,000 shares on February 9, and the offers reached the highest record ever made. The Committee announced successive sales of 830,000 shares and 710,000 shares. In addition to these sales, a decline of stock prices in the United States, SCAP's warning to the stock market, the formation of the Ashida Cabinet etc. affected stock market, and quotations of almost all shares declin-

## THE FOREIGN TRADE OF JAPAN IN JANUARY & FEBRUARY, 1948

Exports and Imports by Commodities (January and February, 1948)

### Exports

		January	February
		%	%
Metals . . . . .	(tons)	60,309	5.32
Machinery . . . . .		1,35	2.14
Metals . . . . .	(tons)	971	4.69
Textiles . . . . .		60.51	56.62
Raw silk . . . . .	(bales)	1,240	6.51
Silk tissues . . . . .	(1,000 yds.)	988	3.05
Cotton yarn . . . . .	(1,000 lbs.)	1,500	3.44
Cotton tissues . . . . .	(1,000 yds.)	23,980	38.43
Rayon filament yarn . . . . .	(1,000 lbs.)	761	3.92
Rayon tissues . . . . .	(1,000 yds.)	902	1.10
Woollen tissues . . . . .	(,)	146	4.04
Others . . . . .		1.02	0.86
Miscellaneous goods . . . . .		9.45	16.46
Agricultural products . . . . .		5.24	3.92
Aquatic products . . . . .		8.18	5.57
Timber . . . . .	(1,000 koku)	77	2.69
Fertilizer . . . . .	(1,000 tons)	7	0.05
Chemicals . . . . .		2.07	0.68

### Imports

		January	February
		%	%
Foodstuffs . . . . .	(tons)	182,603	46.19
Petroleum . . . . .	(k.l.)	30,792	59,478
Fertilizer . . . . .	(tons)	1,462	11.95
Textiles . . . . .	(,)	59,022	6.24
Raw cotton . . . . .	(bales)	123,104	22.99
Wool . . . . .	(,)	231	—
Hemp . . . . .	(1,000 lbs.)	270	316
Salt . . . . .	(tons)	108,645	3.73
Rosin . . . . .	(,)	493	0.40
Tanning . . . . .	(,)	150	0.07
Chemicals . . . . .		—	2.24
Coal . . . . .	(,)	27,089	1.19
Oil and fats . . . . .	(,)	9,058	2.03
Machinery . . . . .		—	0.62
Rubber . . . . .		—	1.41
Leather . . . . .		—	0.01
Mineral products . . . . .	(,)	2,111	0.40
Miscellaneous goods . . . . .		—	16,843
		0.32	1.24

### Exports and Imports by Countries (January and February, 1948)

Exports	Imports	
	Jan.	Feb.
Asia:—	74.9	61.0
Dutch East Indies . . . . .	39.6	24.4
Korea . . . . .	9.8	13.3
Hongkong . . . . .	14.4	12.7
China . . . . .	2.4	5.1
Malaya . . . . .	4.3	2.4
Siam . . . . .	0.3	2.0
French Indo-china . . . . .	—	1.0
Okinawa . . . . .	2.5	0.6
Philippines . . . . .	0.2	0.5
Oceania:—		
Hawaii . . . . .	0.2	0.4
America:—	11.1	33.1
U.S.A. . . . .	10.9	30.6
Canada . . . . .	0.1	2.5
Argentine . . . . .	0.1	0.01
Europe:—	8.1	5.3
Great Britain . . . . .	5.6	1.8
Belgium . . . . .	0.8	0.2
Netherlands . . . . .	0.1	—
Switzerland . . . . .	0.2	3.2
Germany . . . . .	1.5	—
U.S.S.R. . . . .	—	0.1
Africa:—	5.8	1.2
Morocco . . . . .	2.1	1.2
Egypt . . . . .	3.7	—

Foreign trade has shown a gradual recovery during the first two months of 1948, but still centers on imports of necessary foodstuffs and raw materials, and a small amount of hunger exports, due to low production capacity. The import of foreign capital is essential for the economic rehabilitation of Japan, but its realization will not be easy, on account of the difficulties in expanding industrial production and scant hope in securing profit from investments.

Foreign trade witnessed considerable development in January this year being almost double the monthly average of the previous year in both exports and imports, and fourfold in exports and fivefold in imports compared with the corresponding period of last year. However, exports declined by 16.5% compared with December last year, whilst imports increased by 6.7%, the balance of trade becoming more unfavourable. The decline in exports was caused by smaller shipments of miscellaneous goods, agricultural products, cotton tissues, timber, coal, fertilizer, in spite of a marked advance in cotton yarn, rayon filament yarn, etc. The increase in

ed after the reopening of the market. Some recovery was, however, witnessed towards the end of February. Quotations at the end of February were a little higher than the level prevailing before the suspension of mass transactions. The index of stock prices compiled by the Tokyo Securities Association (Aug., 1946=100) averaged 230.6 in February showing an advance of 48.4% compared with January, and the index of volume of stock transactions declined by 60.9% to 207.5.

The issue market continued inactive. In order to cope with the present inactivity, the yield of new company debentures was raised in January, and that of banking debentures also advanced in February.

Imports was mainly caused by foodstuffs (twice in quantity, 1.5 times in value), coal, oil and fats, rubber, etc. Imports of raw cotton, fertilizer and mineral products showed a decline.

Foreign trade during February also showed a noticeable development. Exports increased by 14% compared with January, whilst imports declined by 15%, the import surplus decreasing by 34%. However, imports still amounted to double the figure of exports. It must be noted that the increase in exports was brought about by the activity in private trade, as

against a decline in government trade. Private trade which showed a marked decline of 65.6% in January compared with the preceding month, increased remarkably, figures in February being threefold those of January, principally due to active exports of raw silk and cotton goods. In government trade, an increase in exports of coal (Korea and Hongkong) and fertilizer (Korea) must be mentioned, whilst the export of timber declined.

As to total exports, both government and private, raw silk, rayon filament yarn, woollen tissues ad-

## JAPANESE INDUSTRIAL REPORTS FOR THE FIRST QUARTER OF 1948

Industrial production in general was better during the first three months of 1948 than expected, but the planned volume was fixed at a rather low level, in anticipation of a shortage in electric power. Improved coal output and the gradual restoration of power equipment had a good effect upon industrial production. The import or prospect of import of coal, iron ore, raw cotton, wool, etc. also stimulated industry. However, present industrial production is still at a low level and very irregular, from the view point of the economic reconstruction of Japan. The weakness in transportation is a fundamental obstacle to economic recovery. The goal of coal production for 1948 is expected to reach 36 million tons, but the transportation capacity is anticipated to be insufficient.

Coal output which registered the post-war peak in December, continued favourable, though the actual figure showed a gradual decline after January. The activity of coal production was mainly brought about by greater efforts of coal miners.

Hydro-electric power output still continued to decrease due to seasonal influences, whilst thermal power output in January showed some increase on account of the increased allocation of coal, registering 260 million kw.h. As a consequence of the rather favourable advance of thermal power, total electric power production showed an increase in February of 2.1% as compared with the previous month.

Output of iron and steel was inactive except pig iron, though actual figures exceeded the expected volume which was fixed at a rather low level. A considerable decrease of electric pig iron and ingots was inevitable due to the shortage of electric power.

vanced but a heavy decline was witnessed in shipments of cotton yarn and cotton tissues. Exports of coal and timber also showed a decline.

The decline in imports was most pronounced in raw cotton (77%) petroleum (16%) rubber, (90%) oil and fats. On the other hand, imports of foodstuffs increased by 11%, fertilizer by 40%, mineral products by 15%. Petroleum coke, cotton-linter, iron ore, pig bristles, cocoanut fibre were newly imported in February.

As to destinations, exports to the Near East and East Asia continued to advance. Exports to the United States which showed a declining tendency, increased considerably in February. Principal markets of private foreign trade were the United States, followed by Canada, Switzerland, Great Britain, Siam, French Indo-China, and Philippines. Hawaii also held an important position in private trade. The United States still held a predominant position in the import trade, with 84.6% of the total value in February. Imports from the Philippines continued to advance. Imports of tapioca powder from Siam, and arrivals of hides from Argentine in February are worthy of note.

Production of sulphate of ammonia, calcium cyanamide and superphosphate of lime continued to decrease on account of the unfavourable power supply, showing a decline in March of 1.6%, 38% and 3.2% respectively as compared with the preceding month. On the other hand, soda ash and caustic soda showed a favourable development due to larger allotments of coal, whilst output of cement witnessed a remarkable decrease compared with December when the highest record after the termination of hostilities was realized.

Machineries showed, in general, an unfavourable development. Electric wire, universal transformers, and machine oil registered a larger production than in the previous month.

As a result of the import of raw cotton, output of cotton textile goods was expected to increase. The actual figure in January only registered an increase of 15.6% in cotton yarn, and that of cotton tissues 12.9% in comparison with December, whilst production of rayon staple yarn and silk tissues was rather active. However, production of textile goods in general, was not favourable.

Output of rubber goods, leather, news print and paper, also showed some recession in March.

The unfavourable condition in industrial production is attributed to a shortage of electric power, loss of working days caused by labour disputes, lack of materials and funds, difficulties of transportation, and disproportionate official prices. The aggravation of currency inflation, which however has now come to a turning point, and the fettered circulation of goods are also to some degree responsible for the decline in production.

### Iron & Steel Industry

The production plan of iron and steel for the Jan.-Mar. quarter was reduced

in anticipation of a shortage of electric power compared with the previous quarter.

Actual output of iron and steel for the Jan.-Mar. quarter was reduced in anticipation of a tendency to decrease, excepting ordinary pig iron, although ratio to planned volume was, in general, over 100%. Production of pig iron totalled 32,755 tons, of which ordinary pig iron registered 28,616 tons or 102% of the expected volume due to the better showing of the Yawata Iron Works and improved delivery of coal. Output of ordinary pig iron continued an upward tendency, whilst that of electric pig iron declined to 4,000 tons, the lowest record of the current fiscal year, the ratio to planned figure being about 164%. Output of open-hearth ingots showed a decrease of about 5,000 tons compared with the previous month, but maintained a comparatively high level. Production by electric furnaces which showed a declining tendency since June last year on account of electric power restriction, continued below 30,000 tons. Output of ordinary rolled steel showed a smaller production than that of the previous month, though some recovery was witnessed from the abnormally low output in October and November. Production of rolled steel registered 110% of the planned volume, and that of special steel 254% as special steel are off control. This unbalanced situation between the output of rolled steel and that of special steel was the basic characteristics of recent iron and steel production.

However, a marked advance in iron and steel production is expected in the future in view of the prospective imports of raw materials. One smelting furnace of the Nihon Kokan Kaisha (with a productive capacity of ordinary pig iron of 500 tons per day) and two at Kamaishi and Wanishi of the Nihon Seitetsu Kaisha (each one of 700 tons) are ready to be reoperated from April, May and June respectively. A total of seven furnaces will be restarted in the near future.

## RECOVERY OF JAPAN'S COTTON, SILK & RAYON TEXTILE INDUSTRIES

The textile production capacity, in terms of yarn, of the facilities left after the war is estimated at 700 million pounds, which is only about 30% of prewar level. Actual production in 1948 was 260 million pounds, or not more than 37% of capacity. By the export of silk yarn from March, 1946 and the import of raw cotton from June, great expectations were visualized for the rehabilitation of the textile industry, but the aggravated conditions surrounding production caused the poor result mentioned above. The Three-Years Plan for reconstruction of the textile industry inaugurated in August anticipated a production of about 740 million pounds in the first year (Oct. 1946-Sept. 1947). Hence, although that year was deemed as the year when this plan would be put into

operation, the plan for textile production for 1947 had, after all, to be reduced to about 440 million pounds, due to the shortage of coal, food situation and the resulting unsteadiness of labour, also to the difficulty of forecasting the import quantity of necessary materials, and securing funds under inflation.

Actual production results 1947 were about 367 million pounds, a remarkable increase compared with the preceding year, but, nevertheless 80.6% only of the planned quantity. The reasons for inactivity may be ascribed to lack of oversea demand for raw silk due to quality and price, difficulty in obtaining smooth supplies of raw cotton and the great curtailment of operations enforced in the cotton spinning department after June, small quantity of wool im-

ports from Australia, insufficient supply of coal and electric power, etc. Therefore, excluding chemical fibres, the production of textile goods, which had been increasing, commenced to decline after August, the production-target for 1947 being far from being attained.

To overcome production inactivity and the disproportion existing in each branch under these conditions, the Japanese Government, in co-operation with SCAP, took measures for raw cotton imports through the establishment of credits for American raw cotton and the conclusion in September of an agreement for the importation of Indian cotton, part of which has already been imported. Furthermore, about 50,000 bales of "frozen" raw silk were released in January, and 10,000 bales per month since July, to meet the demand of the silk-weaving industry. In December the restriction of electric power was alleviated for the *habutae* branch, and with the issue of the urgent fibre measures in August, the promotion of chemical fibre, which had been emphasized, in the 3-years plan, was re-emphasized, and especially the plan for doubling production of staple fibre was effectuated. Although the quota for clothing materials per person for the first year in the 3-years plan was fixed at 3 pounds, the actual quota was estimated at a little less than 2 pounds which was 60% of the previous year.

#### Cotton Industry

The first plan made for importing raw cotton since June, 1946 was completed in July, 1947, when imports reached 905,000 bales. Since that time, no raw cotton was imported until the 2nd consignment (350,000 bales of American cotton and 170,000 bales of Indian cotton) in October, and stocks had been reduced to no more than 80,000 odd bales (at the end of August), which was not sufficient for a month's supply. Thus, curtailment of operations was effected from 20% to 40% from July, and the production of cotton yarn declined conspicuously, being, in 1947, 266 million pounds, or more than twice that of the previous year, about 80% of the revised plan (330 million pounds) and 54% of the planned figure for the 1st year under the 3-years plan (490 million pounds).

The rehabilitation of facilities is making comparatively favourable progress, spinning machines set up by the

end of December being 3,033,000 spindles, of which 2,966,000 were operable, compared with 2,537,000 at the end of the previous year. The spindles to be set up under the 3-years plan of 3.52 million, and the rehabilitation plan of 3 million spindles aimed at by the government have thus nearly been attained, 3,687,000 spindles out of the final goal of 4 million spindles (September, 1949) are owned by 10 big companies. These companies, in response to a request for rehabilitation loans, were granted 600 million yen in January, and the remaining 700 million yen in October. In December, they again applied for a loan of 850 million yen for the rehabilitation of 3,457,000 spindles and 50,000 weaving machines.

The production of cotton tissues in 1947 amounted to 662,907,000 square yards, which is more than 2.7 times that of the previous year. However, the production curve gradually declined after July, the rate of decrease being larger in companies engaged solely in manufacture of cotton tissues than in those engaged in other textile branches, due to the greater influence of the shortage of yarns and the restriction on electric power consumption.

The rehabilitation of weaving machines progressed comparatively favourably, and showed an increase of 22,000 during 1947, the outstanding number at the end of the year amounting to 156,000 as against the planned figure of 138,000.

In the sphere of labour in the cotton industry, the enlistment of workers from distant districts was prohibited, and must be confined first to localities surrounding the factory and then gradually extended to distant areas. There has been a revision in the dormitory system, though, in view of the importance as an industry processing imported materials, drastic changes have been avoided, the improvement proceeding in the direction of correcting certain features through the betterment of labour conditions along the line of the Labour Standard Law enacted in November. Operatives of both sexes totalled 98,000 at the end of November, showing an increase of about 40,000 as compared with the end of 1946.

#### Silk Industry

Acreage under mulberry cultivation under the 5-years plan was to be 173,-

000 *cho* at the end of May, 1947 and 183,000 *cho* at the end of May, 1948. The registered acreage was gradually increased to 175,000 *cho* on April 1st, 1947 and to 176,000 *cho* on August 1st, the increase being due to the fact that more mulberry trees were newly planted than those dug out. The scale of sericulture, it would seem, was obliged to maintain the *status quo* due to the inactivity of foreign demands for silk.

The spring cocoon crop decreased by 21.6% as compared with the previous year, principally due to the unfavourable delivery of superior cocoons which had been consumed for the producers' own use. Another reason was that the price of cocoons was out of proportion to those of food crops. Thus, the price of spring cocoons was greatly advanced from 700 *hake* to 1,000 *hake* in July. The total cocoon crop in 1947 was estimated at 13,965,000 kwan in December by the Ministry of Agriculture and Forestry, a 20% decrease from the actual crop of the previous year (the planned crop was 20 million kwan).

The production of raw silk, too, showed a stagnant development after April, the total amounting to 15 million pounds, or 72% of the planned volume. However, from the viewpoint of fineness, the percentage of 13-15 denier was larger than that of 19-22 denier, and from actual results of silk conditioning, too, we can discover a trend of the quality of raw silk becoming finer.

Various problems arose in connection with the processing cost of raw silk, but in September the cost was decided at 21,809 yen per bale of standard silk 13-15 denier "D", and the selling price advanced to 64,135 yen.

An announcement of lowering the price by 40% after January, 1948 of Japanese raw silk was made by SCAP which may much affect the export of raw silk in the future. The production of raw silk of higher grade and of secondary products such as *habutae* by domestic release may be a problem in the future.

As regards the rehabilitation of reeling equipment, the number of operable machines amounted to 49,000 (converted into multi-spindle reeling machines) by the end of November, an increase of 12,000 since January.

#### OUTPUT OF CHIEF TEXTILE GOODS IN 1947

(yarns in 1,000 lbs; tis sues in 1,000 sq. yds.)

	Cotton	Raw	Rayon	Rayon	Spun	Woolen	Cotton	Silk	Rayon	Spun	Woolen
	yarn	silk	filament	staple	rayon	and	Hemp	yarn	rayon	and	Hemp
1946	127,875	11,815	9,028	20,490	10,687	28,176	14,637	241,698	35,739	42,156	30,284
1947	266,392	14,571	16,306	18,760	14,632	26,328	17,501	662,307	37,609	45,755	31,854
1947 Jan.	22,737	767	725	684	705	2,275	1,192	47,047	1,458	4,915	1,969
June	29,004	1,211	1,357	1,590	1,245	2,657	1,608	63,021	3,434	4,942	2,843
Dec.	17,280	1,150	1,644	1,945	1,365	1,461	1,314	49,504	3,504	1,462	2,029

## Chemical Fibre

Rayon filament yarn and rayon staple fibre come next in importance to cotton spinning in the 3-years plan. However, their chemical industrial character and requirements of about 8 tons of coal of good quality as power source per ton of manufactured goods make the acquirement of materials a most important problem. The quota of important materials allotted since January, 1947 was 50-70% of the necessary quantity, and it was inevitable that production was always behind the plan.

As the basis for the rehabilitation of facilities, SCAP decided in April, the quantity of rayon filament yarn and rayon staple fibre to be produced yearly at 150,000 tons (330 million pounds); consequently the 30 million pounds of rayon filament yarn to be produced in the first year of the 3-years plan (both for export and domestic use 50% each) and 35 million pounds of rayon staple fibre (export 10%, domestic 90%) was revised to rayon filament yarn 3 million pounds (export 10%) and rayon staple fibre 24 million pounds (export 40%, domestic 60%), the production of rayon filament yarns being given the highest priority. Thus, contrary to the dullness in other branches of textile industry, the production of rayon filament yarn advanced upwards from April till October, and though somewhat at a standstill since then, the figures were 16.3 million pounds for a year, an increase of 80% over the previous year, while the production of rayon staple fibre was 18.7 million pounds, or 8% less than the previous year.

The first measure for the rehabilitation of equipment is aimed at the supply of 120 million pounds of rayon filament yarn and 80 million pounds of rayon staple fibre, due consideration to the supply condition of coal and other materials, so as to secure annual production of 150,000 tons with the equipment at the end of second year of the 3-years plan. However, funds of 303 million yen are required to operate rayon facilities of daily capacity of 153 tons, and 170 million yen has been granted to increase daily capacity to 100 tons by the end of 1947.

### EQUIVALENTS OF CHINESE STANDARD (METRIC) AND OTHER SYSTEMS OF WEIGHTS AND MEASURES

Standard (Metric) System.	Other Systems.	Other Systems.	Standard (Metric) System.
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## WEIGHT.

1 Hectogramme (100 grammes) ...	2.645547 Taels.	1 Tael .....	0.377994 Hectogramme.
1 Kilogramme (10 Hectogrammes) ...	1.6534668 Catties.	1 Catty (16 Taels)	0.6047899 Kilogramme.
1 Quintal (100 Kilogr.) ...	1.6534668 Piculs.	1 Picul (100 Catties)	0.6047899 Quintal
1 Hectogramme	3.215074 Ounces (Troy).	1 Ounce (Troy)	0.311035 Hectogramme.
1 Hectogramme ...	3.527396 Ounces (Avdp.)	1 Ounce (Avdp.)	0.283495 Hectogramme.
1 Kilogramme ...	2.2046223 Pounds	1 Pound (16 Ounces Avdp.)	0.4535924 Kilogramme.
1 Metric Ton (10 Quintals) ...	0.984206 Ton.	1 Ton (2,240 Pounds)	1.016047 Metric Tons.

## CAPACITY MEASURE.

1 Litre .....	0.2199754 Imperial Gallon	1 Imperial Gallon	4.545963 Litres.
1 Litre .....	0.264178 U.S.A. Liquid Gallon	1 U.S.A. Liquid Gallon	3.78533 Litres.
1 Litre .....	0.554352 Sho (Japanese).	1 Sho (Japanese)	1.803907 Litres.

Wines, etc.: 12 Bottles (= 24 Half-bottles) or 12 Reputed Quarts (= 24 Reputed Prints) are accepted as equal to 9 Litres.

## LINEAL MEASURE.

1 Centimetre ...	0.3937 Inch.	1 Inch .....	2.54 Centimetres.
1 Metre (100 Centimetres) ...	3.280843 Feet.	1 Foot .....	0.3048 Metre.
1 Metre ...	1.0936143 Yards.	1 Yard .....	0.9143992 Metre.

## SQUARE MEASURE.

1 Sq. Centimetre ...	0.155 Sq. Inch.	1 Sq. Inch .....	6.4516 Sq. Centimetre.
1 Sq. Metre (10,000 Sq. Centimetres) ...	10.7639 Sq. Feet.	1 Sq. Foot .....	0.092903 Sq. Metre.
1 Sq. Metre ...	1.19599 Sq. Yards.	1 Sq. Yard .....	0.836128 Sq. Metre.

## TIMBER MEASUREMENT.

1 Cubic Metre ...	423.77 Superficial Feet B.M.	1 Superficial Foot B.M.	0.00235973 Cubic Metre.
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# AVIATION REVIEW

## HONGKONG AVIATION REPORT FOR JULY AND FOR THE FIRST SEVEN MONTHS OF 1948.

Air Traffic Returns for the first 7 months of 1948:—

Month	Civil Air Craft	Passengers	Passengers	Mail	Mail	Freight	Freight
	Numbers	IN	IN	OUT	kilogrs.	OUT	IN
January	384	6,275	5,491	8,029	8,975	24,443	138,081
February	396	5,754	5,970	9,266	9,982	31,448	132,576
March	514	7,627	7,479	12,748	11,465	62,039	164,948
April	577	9,602	9,053	14,643	14,713	45,512	78,417
May	669	11,125	14,862	14,255	14,862	37,016	68,444
June	640	10,351	8,927	14,749	14,753	22,906	90,030
July	653	10,062	9,584	14,632	14,725	28,976	81,851
Total 7 months	3,833	60,796	61,346	88,322	89,475	252,340	754,347

For the first seven months of 1948 Hongkong Airport handled a total of 122,142 passengers, 177,797 kilograms of mail, and 1,007 tons of commercial freight.

### ARRIVALS FOR JULY, 1948

Total number of aircraft—653

	Passengers	Mail	Freight
U.K. via Bangkok	82	2,689	2,966
Europe via Bangkok	14	—	5,611
Middle East via Bangkok & Ports	6	—	54
Calcutta via Bangkok & China	46	375	1,325
Rangoon via Bangkok & China	26	38	3
Singapore	156	2,695	339
Bangkok	380	641	2,701
French Indo-China	305	456	620
Macau	331	—	—
Philippines	665	203	2,911
Japan via Shanghai & Ports	58	503	374
U.S.A. via Manila & Ports	30	232	3,090
Honolulu via Manila & Ports	7	2	35
Australia	—	—	125
Shanghai	1,887	2,020	4,895
Canton	3,869	3,298	1,252
China	2,200	1,480	2,675
	10,062	14,632	28,976

### DEPARTURES FOR JULY, 1948

Total number of aircraft—647

	Passengers	Mail	Freight
U.K. via Bangkok & Ports	142	2,581	1,018
Europe via Bangkok & Ports	20	25	102
Middle East via Bangkok & Ports	17	—	1,407
Calcutta via Bangkok & China	56	20	192
Rangoon via Bangkok & China	23	2	364
Singapore	200	1,463	1,241
Bangkok	321	244	5,789
Saigon (direct)	145	184	139
Macau (direct)	296	—	—
Philippines (direct)	1,688	329	7,050
Japan via Shanghai & Ports	34	625	2,227
U.S.A. via Manila & Ports	208	1,019	786
Honolulu via Manila	43	44	121
Australia	15	304	99
Shanghai (direct)	1,087	2,831	2,514
Canton (direct)	3,428	3,277	17,505
China via China Ports	1,861	1,768	41,297
	9,584	14,725	81,851

### Air Transport in July

On the whole there were no material changes in July compared with June; an increase in the number of air craft, in the number of passengers leaving the Colony, and in the weight of freight flown into Hongkong were recorded in July, and there were decreases in the number of passengers arriving, and freight flown of the Colony. Mail remains on the same level, both in and out, as during the 3 previous months.

The monthly averages for the period January to July 1948 are:—

Air craft arriving 547.5; passengers in 8,685.1; passengers out 8,763.7; mail in 12,817.4; mail out 12,782.1; freight in 36,048.5; freight out 107,763.8 kilograms.

### Relative position of countries of origin and destination in the air transport returns for July:—

(1) Passengers: Arrivals: China 79.1%; Philippines 6.61%; Siam 3.78%; Macao 3.29%; Indochina 3.03%; Singapore 1.55%; and Europe, Japan, India, U.S. and Hawaii, Burma, Middle East—in that order.

Departures: China 66.52%; Philippines 17.62%; Siam 3.35%; Macao 3.09%; U.S. and Hawaii 2.62%; Singapore 2.09%; European countries 1.7%; Indochina 1.52%; and India, Japan, Burma, Middle East countries, Australia—in that order.

(2) Mail: Arrivals: China 46.32%; Singapore 18.42%; U.K. 18.38%; Siam 4.38%; Japan 3.44%; Indochina 3.12%; India 2.56%; U.S. 1.61%; Philippines 1.39% and Burma.

Departures: China 53.49%; U.K. and European continent 17.7%; Singapore 9.94%; U.S. and Hawaii 7.22%; Japan 4.28%; Philippines 2.24%; Australia 2.07%; Siam 1.66%; Indochina 1.25%; and India and Burma—in that order.

(3) Freight: Imports: China 30.44%; European countries 29.6%; U.S. and Hawaii 10.79%; Philippines 10.05%; Siam 9.32%; India 4.57%; Indochina 2.14%; Japan 1.29%; Singapore 1.17%; and Australia, Middle East countries, Burma—in that order.

Exports: China 74.91%; Philippines 8.61%; Siam 7.06%; Japan 2.72%; Middle East countries 1.72%; Singapore 1.52%; European countries 1.37%; U.S. and Hawaii 1.11%; and Burma, India, Indochina, Australia—in that order.

## HONGKONG AVIATION RETURNS FOR THE FIRST SIX MONTHS OF 1948

### ARRIVALS AND DEPARTURES OF AIRCRAFT, PASSENGERS, AND FREIGHT AT THE HONGKONG AIRFIELD (KAITAK)

Aircraft:	Monthly	Jan.-Mar.	April	May	June
	Average, 1947	1948	1948	1948	1948
Arrivals .....	299	1,296	578	669	640
Departures .....	228	1,290	583	665	637
Total .....	457	2,586	1,161	1,334	1,277
Passengers:					
Arrivals .....	3,634	19,656	9,602	11,125	10,361
Departures .....	3,179	18,940	9,053	9,965	8,927
Total .....	6,813	38,596	18,655	21,090	19,278
Freight:					
Imports (KGS) .....	26,769	117,930	45,512	37,016	22,906
Exports (KGS) .....	43,702	435,605	78,417	68,444	90,030
Total (KGS) .....	70,471	553,535	123,929	105,460	112,936

For the first half year of 1948 Hong Kong Airport (Kaitak) reported record figures for passengers, mail and freight handled as was published in our issue of July 14, p. 34. The total number of passengers, inward and outward, for the period Jan./June 1948 was 102,516, the weight of mail amounted to 148,440 kilograms, and commercial freight to 896 metric tons. The number of civil air craft landing and taking off here was 6,358.

The monthly averages for the first half year 1948 are as follows:—civil air craft landing 530; passengers, in and out, 17,086; freight, in and out, 149.3 tons.

### Commercial Freight by air

During the first half year of 1948 the total value of freight by air imported into the Colony amounted to \$21,241,074, and air freight exported valued \$6,083,824, a total of \$27,324,- 898.

## AIR FREIGHT

### Hongkong's Imports and Exports by Air; for the First Half Year 1948.

### IMPORTS

Countries	Jan.-March	1948	April	1948	May	1948	June	1948
	Quantity Kilos	Value \$	Quantity Kilos	Value \$	Quantity Kilos	Value \$	Quantity Kilos	Value \$
United Kingdom .....	1,112	183,570	356	52,327	851	182,873	438	162,066
Australia .....	516	418,245	7	352	22	4,145	—	—
Canada .....	—	—	190	130,301	—	—	123	80,206
Ceylon .....	8	1,700	—	—	—	—	—	—
India .....	877	65,940	115	7,128	759	43,940	3	696
Malaya (British) .....	—	—	—	—	—	—	60	1,912
New Zealand .....	—	—	—	—	—	—	—	—
South Africa .....	—	—	—	—	—	—	—	—
West India .....	44	3,608	—	—	—	—	—	—
Br. Empire, Other .....	—	—	—	—	—	—	—	—
Belgium .....	—	—	—	—	1	4,040	—	—
Burma .....	—	—	—	—	19	235	4	237,825
Central America .....	—	—	—	—	—	—	—	—
China, North .....	8	1,200	—	—	32	700	6	140
" Middle .....	—	—	—	—	28	600	31	1,000
" South .....	—	—	223	3,540	—	—	132	1,200
Cuba .....	—	—	—	—	—	—	—	—
Egypt .....	—	—	—	—	29	1,132	34	1,201
Denmark .....	16	350	—	—	—	—	—	—
France .....	2	4,935	—	—	46	16,206	128	44,072
French Indo China .....	23	1,484	—	—	—	—	21	500
Germany .....	—	—	74	19,524	132	55,800	238	78,108
Holland .....	6	1,461	—	—	24	420	—	—
Italy .....	13	3,690	—	—	—	—	—	—
Japan .....	—	—	—	—	—	—	32	220
Netherlands E. Indies .....	—	—	—	—	—	—	—	—
Norway .....	877	25,515	1	853	253	8,155	300	11,355
Philippines .....	13,222	401,658	16,752	458,702	14,726	371,006	1,132	76,834
Siam .....	86	2,512	—	—	65	8,439	233	28,400
South America .....	93	14,000	—	—	—	—	—	—
Sweden .....	1	1,520	—	—	—	—	—	—
Switzerland .....	3,242	3,130,627	1,643	1,649,749	1,470	1,398,965	1,877	1,738,707
U.S.A. .....	11,500	3,237,418	10,099	1,813,487	11,003	2,864,538	9,156	2,170,546
Total .....	31,646	7,499,829	29,460	4,135,963	29,460	4,691,194	12,942	4,644,088
Total British Empire .....	2,557	673,063	668	190,108	1,632	230,958	624	244,880
Total Foreign .....	29,089	6,826,766	28,792	3,945,855	27,828	4,730,236	12,318	4,399,208

Most exports by air were flown to three countries, viz. Siam which accounted for \$2,307,364; China for \$1,870,715; and the USA for \$1,080,726. These three countries accounted for 86½ per cent of the total air freight exports of Hongkong for Jan./June 1948.

Most imports by air were landed here from the following ten countries, viz. USA imported goods valued at \$10,086,385; Switzerland at \$7,918,048; Philippines at \$1,347,651; U.K. at \$580,836; Canada at \$552,691; Burma \$238,060; Germany \$162,430; Malaya; \$117,704; France \$65,213; and Norway \$45,878. The first three countries (USA, Switzerland and Philippines) together accounted for \$19,352,084 or 91 per cent of total imports for the first six months of 1948.

\* \* \* \*

### Aviation Companies In Hongkong

There are 13 air transport companies operating air lines from and via Hongkong, viz. BOAC, Hongkong Airways, Cathay Pacific Airways (British); Braathen's South American and Far Eastern Air Transport (Norwegian); Air France (French); PAL, TAA, CALI (Philippine); Pan Ameri-

can World Airways (U.S.); CNAC, CATC (Chinese); POAS, Siamese Airways (Siamese).

Hongkong Airways Ltd. maintain scheduled flights with C 47 machines, four times daily to Canton and thrice weekly to Shanghai.

Cathay Pacific Airways Ltd. maintain 3 scheduled services with C 47 planes, twice weekly to Singapore, once weekly to Singapore via Bangkok, once weekly to Calcutta; and an unscheduled, frequent connection between the Colony and Manila.

Braathen's SAFE Air Transport have an unscheduled about fortnightly service to Europe (Oslo terminus), and London via Amsterdam, as well as other European capitals) and South America. Skymasters are used.

Air France fly once weekly to Saigon (DC 4 machines), from where direct connection with Paris and European capitals; once weekly to Hanoi via Haiphong (DC 3 machines). The Paris service from Saigon is fortnightly.

PAL (Philippine Air Line Inc.) maintain a twice weekly scheduled service between Bangkok, Singapore, and Calcutta, to the west, and Manila, Guam, Wake, Midway, Honolulu and San Francisco, to the east. Skymasters are used.

TAA (Trans-Asiatic Airlines Inc.),

using C 47's, fly to Manila and Bangkok about twice weekly each route (unscheduled service).

CALI (Commercial Airlines Inc.) connect Hongkong with Manila twice weekly, C 47 planes.

Pan American World Airways connect Hongkong with Bangkok (3 times weekly), San Francisco (either via Shanghai or Tokyo; once weekly each route), Manila (3 times weekly). Clipper planes are used.

CNAC (China National Aviation Corp.) use DC 3, DC 4, and C 47 machines on their scheduled flights to principal Chinese cities and to Calcutta.

CATC (Central Air Transport Corp.) use DC 3, C 46 and C 47 machines, connecting Hongkong with principal Chinese cities.

POAS (Pacific Overseas Airways, Siam, Ltd.) maintain two unscheduled connections between Hongkong and Bangkok and Singapore via Bangkok, using C 47's.

Siamese Airways Co. Ltd., have C 47 machines, and fly unscheduled services between Hongkong and Bangkok about twice weekly.

### BOAC

BOAC maintain 11 services from Hongkong to practically every part of

### EXPORTS

Countries	Jan.-March 1948		April 1948		May 1948		June 1948	
	Quantity Kilos	Value \$	Quantity Kilos	Value \$	Quantity Kilos	Value \$	Quantity Kilos	Value \$
United Kingdom	115	13,354	25	3,718	18	300	18	5,280
Australia	81	790	5	1,072	—	—	—	—
Canada	109	10,796	—	—	39	14,894	—	—
Ceylon	—	—	—	—	—	—	15	3,316
East Africa	—	—	—	—	—	—	4	500
India	7	14,706	—	—	—	—	—	—
Iraq	—	—	—	—	—	—	33	2,445
Malaya (British)	112	48,796	7	35,452	178	56,172	4	155
New Zealand	—	—	—	—	—	—	523	199,332
South Africa	1	60	1	688	—	—	—	—
West Africa	—	—	—	—	—	—	2	873
West India	—	—	—	—	—	—	—	—
Br. Empire, Other	719	23,870	454	56,277	—	—	—	—
Belgium	—	—	—	—	71	7,990	49	15,336
Burma	370	14,698	173	1,609	64	1,476	19	5,280
Central America	14	1,791	—	—	—	—	—	—
China, North	8,749	181,551	—	—	96	4,043	259	8,215
" Middle	216	201,629	—	—	—	—	89	2,125
" South	68,417	1,044,504	9,219	108,573	4,729	77,372	13,726	242,703
Cuba	—	—	16	1,256	11	1,092	25	3,215
Egypt	—	—	18	1,643	29	2,460	235	14,663
Denmark	—	—	—	—	—	—	—	—
France	26	16,430	21	1,857	—	—	29	7,055
French Indo-China	574	15,602	189	3,715	132	9,039	410	32,500
Germany	—	—	—	—	148	1,000	—	—
Holland	1	7	—	—	—	—	—	—
Italy	—	—	—	—	—	—	—	—
Japan	38	1,520	—	—	218	22,443	7	528
Netherlands E. Indies	152	19,500	—	—	3	135	—	—
Norway	—	—	—	—	—	—	8	2,360
Philippines	3,486	29,150	1,466	42,011	1,718	19,271	12,304	16,493
Siam	21,834	762,494	4,506	269,840	5,303	232,695	9,702	1,042,335
South America	—	—	39	6,756	—	—	27	40,000
Sweden	—	—	—	—	—	—	—	—
Switzerland	5	372	—	—	990	480	70	3,000
U.S.A.	5,988	476,284	904	253,329	295	219,142	550	131,971
Others	—	—	76	4,440	—	—	—	—
Total	111,014	2,877,904	17,119	792,236	14,042	670,004	38,109	1,743,680
Total British Empire	1,144	112,372	492	97,207	235	71,366	599	211,901
Total Foreign	109,870	2,765,532	16,627	695,029	13,807	598,638	37,510	1,531,779

the world. On all routes Flying Boats are operated. The air connections are as follow:—

(1) U.K. via Bangkok, Rangoon, Calcutta, Karachi, Bahrain, Cairo, Augusta, Southampton; with transhipment from London to North America and European continent. (2) Australia and New Zealand, via Singapore, Sourabaya, Darwin, Bowen, Sydney; with transhipment at Singapore for the Netherlands Indies, Malaya and Australasia. (3) South Africa via Bangkok, Rangoon, Calcutta, Karachi, Cairo; transhipment at Cairo for Egypt, Sudan, Rhodesia, Kenya, South Africa. (4) North Africa, via Cairo, for Tripoli. (5) East Africa, via Cairo, for Nairobi, Dar-es-Salaam, Sudan. (6) West Africa, via Cairo and Tripoli, for Kano, Lagos, Accra. (7) India and Pakistan, via Calcutta or Karachi, for all cities. (8) Ceylon, via Singapore, for Colombo. (9) Japan, via Iwakuni, for Tokyo. (10) Middle East, via Cairo, all destinations. (11) U.S.A. and Canada, via London and New York to Bermuda.

### Business of Air Transport Companies

The growing air-mindedness of the public and the amenities afforded by air-freighting certain less bulky and more valuable commercial cargoes have increased the earnings of the air transport companies. Air communications between Hongkong and practically all centres of world commerce have improved and new routes are frequently joined to the old schedules. But with the expansion of air lines' business competition has intensified and there is a tendency, like in other countries, to attract more passengers and shippers by underquoting the generally accepted tariff or granting unusual rebates.

That a number of air transport companies can continue with this practice and still earn well appears to prove the public suspicion that profit margins in the aviation business are excessive. Almost every air line will give examples of how other air transport firms are undercutting agreed rates. Even those companies who are members of IATA (International Air Transport Association) and thus obliged to abide by tariff rates seem often to offend against them.

The travelling public is of course satisfied that competition is operating to their benefit; many shippers of freight and intending air travellers are as yet unaware that others enjoy rebates and lower quotations, for the simple reason that they knew how to tackle air traffic managers and to utilise the prevailing rather sharp competition among airlines.

It is particularly on many Far Eastern flights—such as Manila, Bangkok, Singapore etc.—that "cut-throat" prices have been charged obviously by such companies which had regularly surplus space and could only sell it, wholly or partially, if passengers and freight shippers were induced by low prices. In Far Eastern flying there has been more than adequate passenger

and freight space at the disposal of the public and, failing an early balance of air transport supply with travellers' and merchants' demand, the present underquoting of standard rates must be expected to continue.

It is contended by various aviation companies that there is a danger in this cut-throat competition as it lowers the companies' earnings and thus prevents them from maintaining fully a repair and overhaul service. As it is an international safety requirement to ground a transport plane after every 1,000 flying hours and only to permit its continued operation after thorough inspection and, if necessary, overhauling, the maintenance expenses are very high and such companies which do not earn well may be induced to overstep the set flying hour limit to, say, 1,500 or more hours. Furthermore, certain aviation companies in order to save on petrol are often operating a multi-engined plane on one motor only, a practice which could result in accidents.

In the chartering of planes for private travel or commercial flights intensive competition has been noticed since a long time.

On the whole the larger air transport companies are doing well and can afford to ignore the effects of the undercutting of standard rates as their available space is usually well booked and the outlook for good business during the rest of this year is encouraging.

The following companies, operating in Hongkong, are members of IATA: BOAC, Air France, Pan-American World Airways, PAL, CNAC. Applications for membership have been received by IATA from: Hongkong Airways and CATC. The locally registered CPA may also file its application with IATA.

### B.O.A.C. SPEEDBIRD ROUTES ACROSS THE WORLD

The British Overseas Airways Corp. operate their Speedbird Services all over the world, in conjunction with British European Airways Corp., British South American Airways, South African Airways (S.A.R. & H.), East and West African Airways Corporations, Quantas Empire Airways Ltd. and Tasman Empire Airways Ltd. B.O.A.C. aircraft fly passengers and freight across the Far East on the "Dragon" route, to Australia on the "Kangaroo" route, to India on the "Tiger" route, to South Africa on the "Springbok" route and to North America on the "Speedbird" route.

B.O.A.C. Flying Boats leave Hongkong five times a week to carry passengers and freight literally to places all over the world, regularly and in comfort and safety.

B.O.A.C. pilots are known all over the world for their calm efficiency resulting from years of comprehensive training and for their courteous manner with passengers. Stewards and others of the crew give absolutely first class service, excellent meals and refreshments are frequently served, and no-

thing is spared to provide real comfort and ease so that passengers arrive at destination fresh to carry on with their daily business.

The B.O.A.C. four-engined Flying Boat is certainly a great attraction and it is a splendid sight to see it taking off after a thrilling run like a motor-boat or landing gracefully on the water. A lounge and promenade deck are part of the amenities of these Flying Boats so that anyone who wishes so may walk about and stretch his legs.

Another part of the BOAC Service is the provision of all meals en route, all hotel accommodation at necessary night stops and transport between the town and the airport free of charge except in North America. This means that a businessman or traveller may journey from Hongkong to Singapore on the direct non-stop service or via Bangkok with a night stop without it costing a penny more than the direct fare to Singapore, although he arrives at Bangkok in the early afternoon. At Bangkok he then is given an excellent lunch in the Trocadero Hotel, can study the business potential of Siam or visit the town during the rest of the afternoon and evening; later he enjoys a good dinner and a comfortable bed with reliable servants to call him in the morning to continue his trip. This is one of the several items of service provided by the B.O.A.C. Others include currency coupons which can be exchanged for local currency and C.O.D. and Charges Forward facilities in several territories.

B.O.A.C. interests are looked after in the Far East by a Station Superintendent in Tokyo and Iwakuni; by Jardine, Matheson & Co., Ltd. in Hongkong and China; by Borneo Co., Ltd. in Bangkok; by Quantas Empire Airways and Malayan Airways Ltd. in Singapore; and by Warner, Barnes & Co., Ltd. in Manila.

### Hongkong Airways, Ltd.

This popular airline connects Hongkong with Canton and Shanghai but its services are limited on account of the quota by the Chinese Govt. of 50 passengers per day. As the public prefers British planes much of the air transport business between here and Shanghai and Canton might have been taken over by H.K. Airways and for that reason the Chinese authorities wanted to protect their own and Chinese private aviation interests. But eventually greater efficiency and better service will carry the day in spite of protectionist measures.

H.K. Airways are now operating since about 8 months. BOAC are the controlling interest in the Company but it is believed that Jardine, Matheson & Co. Ltd. will soon acquire a larger interest than they hold at present.

The Company will soon extend its services to other countries in the Far East and the necessary applications have already been made. It was also urged by the travelling public that H.K. Airways put on more services in South East Asia.

## AIR FRANCE (French Overseas Airways)

Being the French National Air Service, the company is the only Air-line running to French Indo China. The counter-part under the bi-lateral agreement has either not been applied for yet by the British Govt. or was included in other lines; and in consequence Air France is not affected by any competition.

Services are once weekly from Hongkong to Saigon and once fortnightly from Shanghai to Saigon passing through H.K. From Saigon the line extends to Paris and U.S.A. via Atlantic with an overnight stop at Saigon.

Average number of passengers to Saigon: 30 per month. Most of them from Saigon, making pleasure round trips especially during autumn and winter. Air France do not carry passengers from H.K. to Shanghai or vice-versa in order not to raise international issue.

Freight: negligible, due to the unstable political conditions in Indo China.

The Company also runs weekly services to Haiphong and Hanoi;—passengers average 60 per month, most of them overseas Chinese returning to their native villages in Canton, Swatow, etc.

Visas for Indo China: Not difficult for Saigon, Haiphong and Hanoi which are designated ports of entry, but slight difficulty encountered for North Indo China due to the political conditions there.

## Braathens South American & Far East Airtransport

The Company is Norwegian owned and Wallen & Co. are its local agents. Planes used: Skymasters. Operates on non-schedule flights—once in 12 days. Route: Oslo-Amsterdam-Rome-Cairo-Basra - Karachi - Calcutta - Bangkok - Saigon-Hongkong.

Passenger average: 70 per month. Freight: The Air line carries a substantial volume inward—average 15,000 lbs., mainly paper and fishing equipment from Norway. Charges are same as B.O.A.C. fares. Braathens do not operate a direct service to London, but transfer passengers to London at Amsterdam by special arrangements with K.L.M.

There may be more frequent services but not in the immediate future, as the Air Company is now extending its Norway-Johannesburg line to South Africa.

The general opinion of the pilots of this air-line is that the Hongkong Airfield is the worst on the whole route—on account of the surrounding hills.

Braathens are also the agents of the Alaska Air lines who have scheduled flights but provide charter services to Canada via Alaska.

The owners of the Company believe that people have not realised yet the value of transporting cargo by air—its speed and safety factors.

## Philippine Air Lines (PAL)

Passenger bookings of PAL average about 300 a month to U.S.A. The waiting list is usually about 400. Reason for traffic increase is that more and more business men begin to realise that it is more economical in money and time to travel by air. Main problem is obtaining visas for passengers which is difficult even for passengers bound for South America or just passing through U.S. Shipping lines obtain visas for travellers rather faster than airlines and make good business out of it. Other nationally owned airlines, e.g. Siamese Airlines, secure visas with greater ease than private airlines.

Freight: Average about 20,000 lbs. per month either inbound or outbound

Figures for May of PAL.—

Inbound—15,993 lbs. mainly Streptomycin, Nylon stockings, Dyestuffs, Textile and women's dresses.

Outbound: 1816 lbs. Human hair nets, Platinum, Samples: Embroidery, Tea, etc.

## Commercial Airlines

Lines operated at present:—only Hongkong to Manila but the Company considers starting one service to Shanghai although they are not very keen on this new venture.

Under the bi-lateral agreement, the Philippine Govt. has designated three Philippine Air Lines: (1) PAL, (2) Trans-Asiatic Airlines, (3) Commercial Airlines. Each air-line was allocated two flights per week and in addition charter services (averaging about 2 per week for CALI, short for Commercial Airlines)

Planes used: C47. Passengers: fully booked for every flight.

Freight: average 10,000 kilos ingoing or outgoing per month.

\* \* \* \*

## Cathay Pacific Airways

This Australian-American owned Company operates the following routes (unscheduled):— Hongkong-Bangkok-Singapore; Hongkong-Rangoon-Calcutta; Hongkong-Manila; Rangoon-Australia.

All lines are doing good business except those calling on Rangoon and Bangkok, due to necessity of obtaining visas for passengers even for transit.

The Hongkong-Macau service had to be discontinued because of the piracy of one flying boat (chartered to Macao Airways) but may be resumed.

The merger of CPA with Butterfield and Swire, and the Australian National Airways has been recently effected. Part of the CPA capital however, will be utilized to form a new separate organization, known as the Cathay Pacific Airways (1948) Ltd. Exact details of the new merger cannot yet be disclosed.

A subsidiary Company known as the Pacific Air Maintenance & Supply Company has been established at Kai Tak Airport. Part of the machinery came from the Taikoo and Naval Dockyards. The new Company proposes to establish complete engine overhaul and aircraft maintenance facilities at Hongkong and place them at the disposal of all commercial air-line operators in the Far East. At present engines that need repairs are flown to Australia. The Company is at present overhauling the following engine accessories and instruments:—

Starters, Motors, Generators, Magneto, Carburetors, Vacuum Pumps, Fuel pumps, Directional Gyros, Voltage Regulators, Reverse current Relays, Propellers, Propeller governors, Tachometer, Generators, Auto-Pilot Units and Artificial horizons.

Traffic business of CPA is mainly in passengers and cargo has been very little.

In the opinion of CPA a serious drawback is the lack of night operation facilities at the Hongkong Airport, and until such facilities are given, companies will be reluctant to bring in more planes or run more services. It needs 12 hours utility for one plane to make its service pay, hence the importance of night facilities for those short distance lines. There is sufficient

## Siamese Airways

A National Airline of the Siamese Govt. which operates two flights per week to Bangkok. Average about 50 passengers per month. Planes used: C47.

\* \* \* \*

## PROGRESS IN BRITISH AVIATION

### New types of United Kingdom airliners

First there is the Saunders Roe flying-boat, three of which are already in production. Each is driven by 10 propeller-turbine engines.

The prototypes of two Brabazon land planes are under construction. The first is driven by Centaurus engines and will make its first flight during the year. The other is powered by eight propeller-turbines. A 15-foot scale model showing a possible internal layout was recently made. The rear cabin contains 32 seats facing a cinema screen. When the cabin is not being used as a cinema the space for the screen is filled by a movable globe, on which passengers may see at a glance the aircraft's position. The centre cabin, which is on the upper deck, contains 36 seats and passengers go "upstairs" to bedrooms above the cabins.

demand for passenger bookings for the running of more planes and lines. If fares will be reduced more in the near future, more passengers will no doubt take to the air in preference to ocean voyages.

\* \* \* \*

### Central Air Transport Corporation

This Chinese Govt. owned and operated Company derives its income mainly from cargoes, mostly on the North China runs due to the evacuations.

From Hongkong freight earnings come mainly from cargoes going to Kunming, because Yunnan is now the only province in China which does not require import licences.

Cargoes are chiefly:—dyestuffs, tyres, cigarette paper, lead foils. Recently medicines were conspicuously scarce, as most of them now get into China direct on relief basis, free of tax.

Best months were March and April, when quite often capacity loads were recorded (each plane carrying maximum load of 3½ tons). Probably due to heavy stocks in Kunming and the drop of CN\$ during May, the amount of cargo dropped but is picking up again. 6000-7000 kilos of cargo are now awaiting shipment with numerous inquiries in addition.

A new weekly run to Nanchang mainly for passengers was started but was not profitable.

Planes now used are C46, but 6 Convair planes are expected to arrive here in August. These planes are used by Pan American Airways now on their South America runs, and carry a full load of 41 passengers.

The Bangkok run is temporarily suspended due to the inability of the Company to obtain official exchange, as otherwise CATC cannot compete with the other Companies.

The Manila run remains so far in the blueprint stage.

The de Havilland 106 is in process of development. Powered by four pure-jet engines, it is expected to weigh about 100,000 pounds and to have a top speed of over 500 miles an hour.

A Tudor I aircraft embodying modifications found desirable during development has returned from a trial flight to Britain's tropical testing station at Khartoum. During her test flight the aircraft handled well.

The Airspeed Ambassador airliner which British European Airways have adopted can take the loadings involved in any all-up weight below 52,500 pounds. In 40-passenger pressurized form this version will have a range of 1,095 miles with a payload of 8,000 pounds, including fuel reserve for a 12 miles an hour headwind. The aircraft will be powered by Centaurus 663 engines.

### Powered Aircraft-Control Unit

The force required to control the new giant airliners in course of development or in prototype stage is well beyond that of human muscles. A new powered aircraft-control unit in which parts have to be manufactured to an accuracy of one ten-thousandth of an inch has been developed for the huge Bristol Brabazon airliner by the Lockheed Hydraulic Company, of Leamington Spa, England, in conjunction with the Bristol Aeroplane Company. This control system is capable of giving more than 30 horse-power to bank the wings of the 130-ton airliner. Special precautions have been taken against any possibility of failure, and parts have been duplicated. If one or more parts should go out of action, the system as a whole will continue to function. Even if a part should jam, an ingenious design makes sure that it cannot hold up the operation of the control. One control unit will be fitted in each wing and each unit will be powered by four hydraulic pumps driven by the aircraft's main engines. These pumps will be so arranged that even if one of the aircraft's engines should fail, other pumps will continue to provide sufficient power.

### Problems of High Altitude Flight

Flying at heights of between 20,000 and 40,000 feet, and at an average speed of 375 miles an hour, a Mosquito aircraft operated by British European Airways has flown from London to Lisbon in three hours on a flight investigating conditions in high altitude flying. These observation flights between London and Lisbon will be carried out once a week for 18 months, and similar flights will be made from Britain to other European airports.

In view of the great part high altitude flying will play in Britain's future aviation, the de Havilland Aircraft Company has installed at its

works at Hatfield, Hertfordshire, England, an equipment for research into the three main problems connected with high altitude flights—the control of pressure, temperature and humidity in aircraft.

The new equipment, already in use, is capable of producing a pressure similar to that operating at an altitude of 70,000 feet, with an internal temperature range controllable between 40 degrees and minus 70 degrees Centigrade. The chamber is evacuated by an electrically driven vacuum pump through motorised control valves worked remotely. To re-inflate the chamber, air is drawn from outside through a filter. When refrigeration is needed the air is passed through a small mechanically refrigerated cooler to extract the surplus moisture and prevent ice forming in the chamber. For the simulation of tropical conditions the fans circulate the chamber air through a steam heater. Communication between the controller and observers inside the chamber is by normal aircraft-type intercommunication, or by a two-way loud-speaker system. Observers inside the chamber are provided with oxygen, electrically heated clothing and a warning system of emergency switches which operate a red light on the main control panel. The chamber for testing fuels is a steel cylinder 7 feet long by 6 feet 6 inches in diameter, and is provided with windows and instrument inlets. Comprehensive precautions against fire have been taken in the fuel test bay. It is surrounded by fireproof walls and a carbon-dioxide fire extinguisher system, with both automatic and manual operation, covers the whole area.

### Britain's New Cargo Aircraft

The 1948 version of the Bristol Type 170 has been granted a certificate of air-worthiness at an all-up weight of 40,000 pounds, an increase from 98 feet to 108 feet and a new type cowling, known as the free-exit cowl, introduced in the engine to increase rate of climb through more thrust horse-power. The exhaust system of the engine has also been redesigned. The new Type 170 can be supplied for carrying either freight or passengers, it can also be arranged for carrying both freight and passengers, in which case a bulkhead divides the hold from the passenger cabin. The bulkhead can be fixed or movable. The aircraft is fitted with doors in the nose. Of the maximum all-up weight the pay-load and fuel represents 13,770 pounds. The range depends on the proportion of pay-load to fuel. With a pay-load of 7,225 pounds the aircraft can fly 1,430 miles. When the pay-load is increased to 12,000 pounds range is reduced to 380 miles. Maximum speed is 224 miles an hour and service ceiling 24,830 feet. The time taken to reach an altitude of 10,000 feet is 11 minutes.

# SHIPPING REVIEW

## HONGKONG SHIPPING REPORT FOR JULY

There was a slight decrease in the tonnage of shipping calling on and leaving Hongkong in July. On the other hand passenger figures were improved over June. The leading flags in July were: for ocean tonnage:—British, American, Chinese, Netherlands, Norwegian, Danish, and Philippine—in that order. River shipping: British, Chinese.

Total tonnage of ocean shipping (inward and outward) for July 1, 357,835; total river shipping 177,293; making a total of 1,535,128. Compared with June the decrease in ocean shipping in July amounted to 3.16%, in river shipping 14.8%, for total shipping a decrease of 4.66%.

Passenger traffic figures for July, inward and outward:—ocean 44,268, or an increase of 26.4% over the month of June; river 65,648 or a decrease of 3%; total passengers 109,916 or an increase of 7% over June.

**Bunker Coal and Oil:**—Total bunker coal in July 8,786 tons, total oil 19,340. In ocean shipping: bunker coal 7,600, oil 17,843; in river shipping: bunker coal 1,186, oil 1,497 tons.

### ARRIVALS IN JULY, 1948

FLAG.	Ocean		River		TOTAL		CARGO		PASSENGERS		
	No.	Tonnage.	No.	Tonnage.	No.	Tonnage.	River	Steamers.	River	Ocean	Total
British	99	235,809	141	64,087	240	299,896	5,565	24,986	11,952	36,911	
American	34	178,641	—	—	34	178,641	—	—	2,297	2,297	
Chinese	57	74,752	117	22,688	174	97,440	4,939	6,560	1,857	8,417	
Danish	8	28,279	—	—	8	28,279	—	—	908	908	
Dutch	13	66,755	—	—	13	66,755	—	—	3,157	3,157	
Norwegian	28	63,438	—	—	28	63,438	—	—	3,338	3,338	
Panamanian	2	4,801	—	—	2	4,801	—	—	—	—	
Philippine	10	20,025	—	—	10	20,025	—	—	99	99	
Portuguese	5	1,950	—	—	5	1,950	—	—	20	20	
U.S.S.R.	1	2,255	—	—	1	2,255	—	—	—	—	
Swedish	4	9,688	—	—	4	9,688	—	—	16	16	
Total foreign	162	450,584	117	22,688	279	473,272	4,939	6,560	11,692	18,252	
Total	261	686,393	258	86,775	519	773,168	10,504	31,546	23,617	55,163	

### DEPARTURES FOR JULY, 1948

FLAG.	Ocean		River		TOTAL		CARGO		PASSENGERS		
	No.	Tonnage.	No.	Tonnage.	No.	Tonnage.	River	Steamers.	River	Ocean	Total
British	95	214,195	146	67,780	241	281,975	3,565	30,172	7,276	37,448	
American	33	178,265	—	—	33	178,265	—	—	2,953	2,953	
Chinese	53	70,667	117	22,738	170	93,405	5,717	3,930	2,036	5,966	
Danish	7	24,348	—	—	7	24,348	—	—	899	899	
Dutch	16	79,645	—	—	16	79,645	—	—	4,754	4,754	
French	2	497	—	—	2	497	—	—	7	7	
Norwegian	28	65,712	—	—	28	65,712	—	—	2,581	2,581	
Panamanian	2	4,743	—	—	2	4,743	—	—	12	12	
Philippine	6	12,747	—	—	6	12,747	—	—	71	71	
Portuguese	5	1,950	—	—	5	1,950	—	—	42	42	
U.S.S.R.	2	3,564	—	—	2	3,564	—	—	—	—	
Swedish	6	15,109	—	—	6	15,109	—	—	20	20	
Total Foreign	160	457,247	117	22,738	277	479,985	5,717	3,930	13,375	17,305	
Total	255	671,442	263	90,518	518	761,960	9,282	34,102	20,651	20,651	

### COMMERCIAL CARGO: IMPORTS & EXPORTS

The reduction in Hongkong's import business is vividly reflected in the July returns for commercial cargo discharged in the Colony. As the oftake especially by China customers has been unsatisfactory the dealers in town are reluctant to replenish their stocks and have largely discontinued placing orders. The big pile of stocks in local godowns must first be reduced before an improvement in the import position can be expected.

Re-exports are on a high level in spite of the decrease in discharged ocean freight; this is made possible only by the gradual liquidation of the commodity stocks held here since over 6 months, in the majority of cases. Considering the seasonal drop in busi-

ness during the hot summer months the current cargo returns are not indicating more than the temporary abstention by importers and dealers here to bring new goods into the Colony prior to having substantially reduced the current stocks.

It comes as a pleasant surprise to note the improved figures for cargo carried between here and Macao, Canton and other South China ports. The increase both in imports and exports has been larger than optimists could expect. In our trade with China an increasing volume of China export cargo has been noticed although this does not necessarily mean that trade values have also improved. The cargo figures indicate a still higher favourable balance of trade for China in her commerce with the Colony.

Commercial cargo (excluding H.M. Stores and H.K. Govt. supplies) —

	Ocean ships	Increase or tons	Decrease	(+ or —)	over June per cent.
Inward	...	158,262	—	16 1/2	
Outward	...	91,612	—	2	
Total	....	249,874			
	River	Steamers			
Inward	...	10,504	+	19.6	
Outward	...	9,282	+	26 1/4	
Total	....	19,786			

Total for ocean and river carried cargo in July: 269,660 tons.

For the first seven months of 1948, ocean cargo discharged and loaded:

Discharged .....	1,417,950
Loaded .....	595,832

Total ..... 2,013,782

The figure for July ocean inward commercial cargo is the lowest for this year while in 1947 only one month (Sept.) registered a lower tonnage. On the other hand the outward tonnage in July was the third largest in 1948.

#### JUNKS & LAUNCHES IN FOREIGN TRAFFIC

During July junks and launches in foreign traffic (under 60 tons each)

hauled considerably more cargo into Hongkong while exports decreased.

#### Tonnage of Cargo:

	inward	outward
Junks .....	94,401	2,910
Launches .....	101	346

Total .....	29,502	3,256
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Against June 1948: +	11.4%	— 23%
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#### Tonnage of Vessels:

	inward	outward
Junks .....	104,249	103,931
Launches .....	3,649	3,857

Total .....	107,898	107,788
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Cargo carried by junks and launches in foreign trade for the first seven months of 1948.— (in tons):—

inward .....	207,303 3/4
outward .....	47,387 1/2

total .....	254,691 1/4
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Number of passengers in July: arrived 1,185; departed 3,924.

Licences issued in July by the Junks Inspector of the Marine Department of Hongkong:—3,699 junks, of which number ten were motor junks; 40 launches and motor boats.

## SHIPPING STATISTICS OF HONGKONG — For The First Half Year 1948 —

### TONNAGES AND PASSENGERS INWARD AND OUTWARD

During the first six months of 1948 the total tonnage of ocean ships aggregated 7,919,384, and the total tonnage of river ships amounted to 1,289,379, making a grand total of 9,208,763.

The largest arrival and departure of ocean tonnage are recorded in May. The largest inward and outward tonnage of river shipping was recorded in April.

The largest number of passengers on ocean ships arrived and departed in March. The largest number of river boat passengers arrived in March, and left in April. Total passengers, ocean, inward and outward: 258,457, river, inward and outward: 434,841, grand total passengers: 693,298.

MONTHS	OCEAN STEAMERS		RIVER STEAMERS		OCEAN PASSENGERS		RIVER PASSENGERS	
	TONNAGE	TONNAGE	TONNAGE	TONNAGE	IN	OUT	IN	OUT
January .....	619,031	592,021	104,352	105,135	23,906	19,782	31,011	32,460
February .....	543,329	557,534	95,228	96,246	13,880	11,190	29,900	31,100
March .....	715,538	716,003	105,981	105,523	32,389	25,729	40,005	42,383
April .....	651,324	606,514	123,037	123,127	28,088	20,911	37,847	44,687
May .....	743,222	772,700	111,132	111,497	22,511	25,139	39,978	38,402
June .....	690,510	711,658	105,690	102,430	18,115	16,917	34,706	32,962
	3,962,954	3,956,430	645,421	643,958	138,789	119,668	212,847	221,994

## CHINA'S SHIPPING FOR THE FIRST FIVE MONTHS OF 1948

During the period January to May 1948 the shipping returns of China show a very slight improvement in tonnage handled of 3.1% compared with the 1947 average. Trade with North China has further declined during the current year and business with South China is, to judge by the tonnage entering and leaving Chinese ports in South China, approaching Shanghai very closely. The relatively pacified South offers business opportunities to the harassed Chinese from Central and North China which fact is reflected in the increasing tonnage figures of South China. At the same time trade with Taiwan is also improving for which the higher shipping figures for the island's main ports, Taipeh and Tainan, testify.

The British flag has since a few months attained the first place in China's international shipping, a place which was also and traditionally held in prewar years. After the end of the war in the Pacific the American flag was temporarily in the lead but now it appears as if it is to be put on third

place for good by the advance made in Chinese shipping during recent months. So fast, in fact, has been the increase in Chinese owned vessels taking part in the foreign trade of China that it is anticipated that before long the Chinese flag will also supersede the Union Jack, a development which is only natural. The Chinese Govt. has acquired more tonnage than the country can utilise at the moment and although much of it is obsolete and requires thorough overhaul or replacement the available shipping space is good enough for carrying on the freight traffic between China and Far Eastern and other Asiatic countries.

Remarkable has also been the speedy recovery of various European countries' shipping in the China trade. Dutch ships are taking the fourth place and the flag of the Netherlands will become more popular as the year goes to its end.

### Shipping Figures

For Jan./May 1948: total ocean going, inward and outward: 7,778,959 t. Chinese junks in foreign trade 826,550 tons, making a total of 8,605,509 tons.

Monthly averages for all China: 1,721,101.8 tons; for Shanghai 841,660 tons.

Against the 1947 monthly average of all China's tonnage of 1,669,457 the current average amounts to an improvement of 3.1% over 1947.

Comparisons with Hong Kong's 1948 averages show that (1) the advance of the Colony's shipping this year over 1947 amounted to 14 1/4 per cent. (2) Hongkong's ocean and river shipping returns and figures for junk trade in foreign traffic show a monthly average for this year of 1,736,968; that is 2 per cent more than all China's shipping figures (average) for 1948 and 108 per cent more than Shanghai's shipping (ocean steamers and junks in foreign trade).

China's shipping for 1947 was reviewed in our issue of April 7, pp. 346/7.

## Shipping by Flags

The following nations' ships took part in China's foreign trade: British, American, Netherlands, Norwegian, Panamanian, Danish, Swedish, Philippines, USSR, Japanese, French and Portuguese—in that order.

Percentages of flags (ocean steamers excluding junks) for the period Jan./May 1948:—

British	26.8	Norwegian	5.8
Chinese	25½	Panamanian	5.1
U.S.A.	21.9	Danish	3.7
Dutch	6½	Swedish	1½

The Philippine flag accounted for slightly over 1%, and the flags of USSR, Japan, France and Portugal each under 1%.

## Shipping by Ports

The leading port remains Shanghai which accounted for 49% of all tonnage (steamer and junks) handled during the first five months of this year. The South China ports together accounted for 43.6% (3,752,128 tons) of all China's shipping while Taiwan accounted for

5.1% (444,289 tons). The figure for North China's tonnage handled this year reveals the debacle of China's foreign commerce; all North China ports accounted only for 2.3% (199,679 tons) of China's shipping in 1948.

Percentages of tonnage handled by Chinese ports (or Customs stations) in Jan./May. 1948:—

Shanghai	49	Swatow	5½
Canton	11½	Taipeh	3.2
Kowloon (C.S.)	9¾	Kongmoon	2.0
Lappa (C.S.)	7.1	Tainan	1.9
Amoy	6	Tientsin	1.4

VESSELS ENTERED FROM AND CLEARED FOR ABROAD:  
BY FLAGS.

FLAG	May 1948.						January-May 1948.					
	TOTAL.		ENTERED.		Cleared.		TOTAL.		ENTERED.		Cleared.	
	No.	Tons.	No.	Tons.	No.	Tons.	No.	Tons.	No.	Tons.	No.	Tons.
American	113	356,961	58	172,877	55	184,084	559	1,697,538	278	822,595	281	874,943
British	306	463,167	152	226,331	154	236,845	1,438	2,088,263	722	1,064,997	714	1,023,266
Chinese (excl. Junks)	4,137	525,374	2,092	261,050	2,045	264,324	18,373	1,982,845	9,216	992,298	9,157	990,547
Chinese Junks	2,201	177,796	1,128	98,212	1,073	88,584	10,872	826,550	5,402	416,243	5,470	410,307
Danish	18	62,590	9	30,273	9	32,317	82	284,990	41	142,918	41	142,072
French	2	8,574	1	4,287	1	4,287	4	23,324	2	11,662	2	11,662
Japanese	3	6,681	2	4,184	1	2,497	9	28,254	4	12,210	5	16,044
Netherlands	17	91,675	9	50,172	8	41,503	102	509,537	53	263,309	49	246,228
Norwegian	51	106,987	25	52,841	26	54,146	203	450,728	99	222,484	104	228,244
Panamanian	12	62,470	6	31,235	6	31,235	70	392,772	34	188,261	36	204,511
Philippine	11	23,353	6	12,738	5	10,615	36	79,242	19	41,744	17	37,498
Portuguese	2	964	1	482	1	482	36	11,502	18	5,751	18	5,751
Swedish	5	22,397	2	9,419	3	12,978	32	111,783	17	58,807	15	52,976
U.S.S.R.	5	15,546	2	6,574	3	8,972	18	48,526	8	22,596	10	25,930
Others	1	2,700	1	2,700	—	—	30	69,655	16	38,138	14	31,517
Total	6,884	1,927,244	3,494	954,375	3,390	972,869	31,862	8,605,509	15,929	4,304,013	15,933	4,301,496

VESSELS ENTERED FROM AND CLEARED FOR ABROAD:  
BY PORTS.

PORT	May 1948.						January-May 1948.					
	TOTAL.		ENTERED.		Cleared.		TOTAL.		ENTERED.		Cleared.	
	No.	Tons.	No.	Tons.	No.	Tons.	No.	Tons.	No.	Tons.	No.	Tons.
Chinwangtao	1	3,348	1	3,348	—	—	10	33,475	6	21,417	4	12,058
Tientsin	9	28,823	4	9,977	5	18,846	35	127,865	13	45,929	22	81,936
Chefoo	—	—	—	—	—	—	10	372	10	372	—	—
Tsingtao	2	5,239	1	603	1	4,636	15	37,967	7	10,559	8	27,408
Shanghai	244	891,761	115	437,055	129	454,706	1,164	4,208,300	573	2,078,109	591	2,130,191
Ningpo	—	—	—	—	—	—	1	87	1	87	—	—
Wenchow	—	—	—	—	—	—	2	26	1	13	1	13
Foochow	9	12,984	4	6,120	5	6,864	45	72,972	21	33,832	24	39,140
Amoy	49	133,635	26	69,199	23	64,436	195	515,642	102	266,929	93	248,713
Taipeh	22	60,715	12	29,959	10	30,756	108	278,077	56	142,857	52	135,220
Tainan	20	62,316	10	32,411	10	29,905	52	166,212	26	83,401	26	82,811
Swatow	61	103,197	30	50,806	31	52,391	293	471,257	150	257,598	143	213,659
Canton	1,280	294,750	730	150,488	650	144,262	4,663	979,161	2,363	494,703	2,300	484,458
Kowloon	2,379	158,155	1,186	77,860	1,193	80,295	11,934	837,446	5,939	422,620	5,995	414,826
Lappa	2,262	124,263	1,144	61,880	1,118	62,383	10,719	612,680	5,333	309,885	5,386	302,795
Kongmoon	425	45,541	219	23,454	206	22,087	2,475	241,451	1,259	124,656	1,216	116,795
Luichow, Kiungchow	21	2,517	12	1,215	9	1,302	128	18,861	63	9,331	65	9,530
Total	6,884	1,927,244	3,494	954,375	3,390	972,869	31,862	8,605,509	15,929	4,304,013	15,933	4,301,496

## AIRCRAFT &amp; BOATS MADE OF BIRMBRIGHT

Birmabright is a new light metal alloy, claimed to be lighter, stronger and more durable than other such alloys used in building aircraft. The Viking Marine Co., Ltd. of Twickenham, near London, specialises in the building of these boats and state that Birmabright is not affected by seawater, and that such boats are cheaper in the long run than those made of other material.

Orders which have been received indicate quite a market for these light metal boats in various countries, including the Union of South Africa and several European countries. Ten-foot lifeboats are particularly popular; they have the advantage of being provided with buoyancy tanks, so that the boats would float still with two people in them, even if they were completely filled with water. To facilitate transport, these boats are now going to be made in sections which can easily be assembled on arrival.

## FIRST TURBO PROPELLER AIR-LINER TO FLY THIS YEAR

The first of the Handley Page "Hermes" Mark V airliners powered with four Bristol Theseus turbo propeller engines is expected to undergo flight trials before the end of this year.

The Hermes Mark V will be able to carry up to 63 passengers and a crew of five. Maximum speed at 15,000 feet is expected to be 350 miles per hour and the cruising speed at 10,000 feet is expected to be 340 m.p.h.

